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**SINO-SOUTH KOREAN RELATIONS, 1971-1990: IN THE CONTEXT OF  
ECONOMIC AND INTERNATIONAL POLITICS**

**LCDR Suk-Joon Yoon**

**A thesis submitted to the University of Bristol in  
fulfilment of the requirements for the degree of  
Doctor of Philosophy in the Faculty of Social  
Science, Department of Politics  
November 1992**

## **ABSTRACT**

The relationship between China and South Korea during the years 1971 to 1990 is of fundamental importance to the future development of the Asian-Pacific region. After a long period of neglect, this relationship is now being studied anew: as a dynamic centre of world economic power, as a theatre for world political events, and as a potential crisis zone. Sino-South Korea relations play a vital role in the political and economic development of the entire region, with concomitant repercussions for the global economy and the international security order.

In the past relations between China and Korea have been determined by three major factors: geographical proximity, the shared traditional culture of Confucianism, and the Korean War and the subsequent Cold War. The rapid evolving domestic situations within both countries, as well as changes in the international environment, have led, during the last two decades, to significant developments in the relationship. As allies China and South Korea would undoubtedly be the deciding factor in any major regional conflict; as enemies any serious hostilities would leave both severely debilitated. But armed conflict apart, the degree of political confrontation and the extent to which their divergent interests can be reconciled are of global import. The changing postures which the two countries have taken towards each other during the 1970's and 1980's warrant a fresh and detailed examination of their relations.

The dissertation argues that for both China and South Korea economic, political and strategic interests are closely interwoven. The order of discussion is not intended to give precedence to the economic relationship and over political and strategic issues, but rather to suggest how priorities have shifted as the intricate pattern of relations has developed: in the 1970's the relationship was dominated by the international environment; in the first half of the 1980's, incidental political issues shaped relations; and in the late 1980's the emphasis shifted to the dynamics of economic interdependence between China and South Korea.

This paper takes a balanced approach, paying equal attention to both politico-strategic and economic aspects. The first chapter examines the style and legacies of the historical background, dealing with basic roots of the relations between China and Korea. The rest of the chapters highlight the politico-strategic and economic relations between China and South Korea during 1971-1990, this part being divided into four time segments: cautious responses, 1971-November 1978; encouraging developments, December 1978-1984; *de facto* recognition, 1985-1987; beyond the Cold War, 1988-1990.



## **ACKNOWLEDGEMENTS**

My first debt is to my supervisor Dr Gerald Segal for his patient assistance and professional approach, and to many other members of the Politics Department of Bristol University for their encouragement. I would like to thank the South Korean Navy, for the financial support which made possible both the research and the subsequent writing. Thanks are also due to Mr Theo Farrell and Mr J. Wood for re-styling my English at the last moment.

I am grateful for the efficient and cheerful assistance of the Inter-Library-Loan (ILL) staff at Bristol University, the Chatham House Press Library at the Royal Institute of International Affairs (RIIA), the International Institute for Strategic Studies (IISS) and the School of Oriental and African Studies (SOAS), University of London. I owe particular gratitude to the kind government officials and businessmen of both China and South Korea who agreed to be interviewed for this research.

## **AUTHOR'S DECLARATION**

This dissertation is my own independent work and was not conducted in collaboration with, or with the assistance of others.

A handwritten signature in black ink, consisting of a stylized 'S' followed by a large, elongated oval shape.

**LCDR Suk-Joon Yoon**

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## **ABBREVIATIONS (For the text and notes)**

**ABU (Asian Broadcasting Union)**

**AFB (Asian Football Confederation)**

**APACL (Asian Pacific Anti-communist League)**

**APBU (Asian-Pacific Broadcasting Union)**

**AS (Asian Survey)**

**ASEAN (Association of Southeast Asian Nations)**

**ASPAC (Asian Pacific Council)**

**ASTC (China Asia Satellite Telecommunications Company Ltd.)**

**BBC (British Broadcasting Corp.)**

**BR (Beijing Review)**

**CAAC (Civil Aviation Administration of China)**

**CASS (China Academy of Social Science)**

**CCIC (China Chamber of Industrial Commerce)**

**CCP (Chinese Communist Party)**

**CCPCC (Chinese Communist Party Central Committee)**

**CCPIT (China Council for Promotion of International Trade)**

**CCTV (China Central Television Station)**

**CITIC (China Industrial Trust & Investment Corp.)**

**COSCO (China Ocean Shipping Company)**

**CPV (Chinese People's Volunteers)**

**DFI (Direct Foreign Investment)**

**DMZ (Demilitarised Zone)**

**DPRK (Democratic People's Republic of Korea)**

**EPB (Economic Planning Board)**

**ESCAP (United Nations Economic Social Commission of Asian & the Pacific)**

**FBIS (Foreign Broadcasting Information Service)**

**FEER (Far Eastern Economic Review)**

**FKI (Federal Korean Industry)**

**FOB (Free-of-Broad)**

**FTC (Foreign Trade Corp.)**

**IBRD (International Bank of Reconstruction and Development)**

**ICAO (International Civil Aviation Organisation)**

**IISS (International Institute for Strategic Studies)**

**IMF (International Monetary Fund)**

**INF (Intermediate-range Nuclear Forces)**

**IOC (International Olympic Committee)**

**IPECK (International Private Economic Council of Korea)**

**JJRB (Jingji Ribao)**

**JSP (Japanese Socialist Party)**

**KADIZ (Korea Air Defence Identification Zone)**

**KAL (Korea Airline)**

**KCIA (Korea Central Intelligence Agency)**

**KCNA (Korea Central News Agency)**

**KEC (Korea Electric Corp.)**

**KETC (Korea Electric Telecommunication Corp.)**

**KMIC (Korea Mining Industry Corp.)**

**KMT (Kuomintang)**

**KOTRA (Korea Trade Promotion Corp.)**

**KPG (Provisional Government of the Republic of Great Korea)**

**KPIC (Korea Plastic Industrial Corporation)**

**KSMCA (Korea Association of Small-Medium Companies)**

**KTAA (Korea Trade Association)**

**KWA (Korea World Affairs)**

**MAC (Military Armistice Commission)**

**MFA (Multifibre Arrangements)**

**MFN (Most Favourable Nations)**



**NCNA (New China News Agency: Xinhua)**

**NEAJUA (Northeast Anti-Japanese United Army)**

**NICs (Newly Industrialised Countries)**

**NIEs (Newly Industrialised Economies)**

**NSPA (National Security Planning Agency)**

**MOFA (Ministry of Foreign Affairs)**

**MOFERT (China Ministry of Foreign Economic Relations & Trade)**

**MTI (Ministry of Trade Industry)**

**OCA (Olympic Committee in Asia)**

**OEM (Original Equipment of Manufacture)**

**PLA (People's Liberation Army)**

**POSCO (Pohang Iron & Steel Corp.)**

**PPD (Party for Peace and Democracy)**

**PRC (People's Republic of China)**

**PR (Pacific Review)**

**RIA (Royal Institute of International Affairs)**

**RMRB (Remin Ribao)**

**ROC (Republic of China)**

**ROK (Republic of Korea)**

**SEZs (Special Economic Zones)**

**SINOCHEM (China National Coal Import & Export Corp.)**

**SLOOC (Seoul Olympic Organisation Committee)**

**SRV (Socialist Republic of Vietnam)**

**SWB (Summary of World Broadcasts)**

**TE (The Economist)**

**TI (The Independent)**

**TT (The Times)**

**UN (United Nations)**

**UNC (United Nations Command)**

**UNCURK (United Nations Commission for the Unification & Rehabilitation of Korea)**

**UNDP (United Nations Development Programme)**

**UNICEF (United Nations International Children's Emergency Fund)**

**USA (United States of America)**

**YONHAP (Korea News Agency)**

**USSR (Union of Soviet Socialist Republics)**

**WACL (World Anti-communist League)**

**WHO (World Health Organisation)**

**WTO-CAP (World Tourism Organisation Commission for East Asia and Pacific)**

**XINHUA (New China News Agency)**

## **INTRODUCTION**

The most important country to South Korea (Hereafter S.Korea), in terms of her livelihood, political values, and security, on balance would have to be China(1). The relationship between China and S.Korea is also of crucial importance to the future development of Northeast Asia(2).

While several scholars have analyzed aspects of the changing relations between China and S.Korea, there has not been a comprehensive review of the reasons for its fundamental transformation during the 1980's.

This examination highlights the relationship between China and S.Korea on a year-by-year basis for the period between 1971 and 1990. Two basic methodological approaches are employed: a chronological analysis is made, which attempts to assess how priorities have shifted in the intricate pattern of relations, revealing the significance of the changes of the past two decades from the context of general situations. The other strand in the analysis seeks to place the foreign policies of China and S.Korea within a broader international sphere, delineating the underlying principles governing the two countries' policies towards each other, and examining how regional and global influences constrained or encouraged their relations.

The complexities of bilateral and multilateral relations are formidable, resulting from the position of both China and S.Korea as significant regional powers in Northeast Asia, which is, moreover, an area of considerable economic, political and strategic significance, and the site of major rivalry between superpowers. This analysis seeks to unravel these factors, and also to highlight the salient features of the cooperation and conflict which developed between the two countries on various issues which arose during the period under consideration.



The dissertation argues that for both China and S.Korea economic and politico-strategic aspects of relations are closely interwoven, with a clear reciprocal interaction between them: closer economic ties leading to closer political ties leading to further economic relations, and so on. Notwithstanding this circle of cause and effect it was generally economic factors which precipitated each new advance, with growing interdependence testing the limits of political openness.

The initial chapter will be devoted to the historical background of relations between China and S.Korea, providing a comprehensive analysis of the constraints posed by the legacy of the past to the improvement of the relationship. Subsequent chapters will discuss the politico-strategic and economic changes that China and S.Korea have undergone since the early 1970's which have not only revealed, but also increased, the complexity of the relationship between these two important Northeast Asian powers.

S.Korea during her peak growth in the 1960's and 1970's has provided something for a role model for China in recent years. China has been encouraged by the complementary economic partnership formed. S.Korea has moved towards a higher political profile, but has not found it easy to manage politico-strategic issues with China. The Chinese-S.Korean agenda has been determined by such perspectives: S.Korea is a significant economic power which depends on external support and/or cooperation for its security, whereas China is assured of continued national independence but relies heavily on external investment to realise essential modernisation.

Throughout the dissertation there is an attempt to avoid undue emphasis on either the S.Korean or the Chinese perspective, yet the two countries' intimate images of each other are quite distinctive, and are helpful in understanding the kind of perceptions which have operated between them, as well as the likely scope of

future relations(3). Many existing analyses of current relations between China and S.Korean tend to centre on the Chinese viewpoint, the S.Korea angle being less fully explored. The conduct of the two countries themselves is influenced by their own "attitude" towards each other at any given time, and their "policy" towards each other depends also upon the unique Korean perspective(4).

No matter how important the subject matter may be the value of this research work must depend to a considerable degree on the nature of its methodology and the discipline of its data, and therein lies a stumbling block. The nature and quality of the available data impose severe constraints on the kinds of analyses that can be performed, and it is therefore possible that this will limit the degree of objectivity and insight which can be attained.

This dissertation is based on reading of scattered primary sources, although some secondary sources have been employed, particularly in studying the North Korean (Hereafter N.Korean) factor in relations between China and S.Korea. Some of the materials disseminated by Peking and Pyongyang do not stand up to close scrutiny as being uniformly authentic and reliable. Although newspapers and journals from the two countries throw considerable light on a wide range of propaganda objectives, they have proven to be of instructive use for a subject of scholarly inquiry by comparison with the numerous works on an empirical analysis. This includes information distributed through their own newspapers, which reflect national interests, rather than making a critical review of the facts.

In the case of the People's Republic of China (Hereafter PRC), one must rely largely on evidence emanating from the regime itself - notably its own publications, e.g. the Renmin Ribao (People's Daily) (Hereafter RMRB) and the Beijing (Peking) Review (Hereafter BR), which are completely controlled by the government and the communist party. All RMRB and BR publications in China pertinent to the Korean



problem were followed, and these materials were compared with statements emanating from N.Korea. Pyongyang's public reaction to the Korean problem found in the Worker's Daily and Pyongyang Times exactly paralleled the reaction from Peking. Serving as they do the multiple functions of indoctrination, internal and external propaganda, and obscure communication, these publications leave a great deal to be desired from the stand-point of objectivity, reliability, and information. It is further necessary to caution against equating the two principal sources' images with any standardised Chinese perceptions of relations between China and S.Korea; whereas BR serves as a source for foreign observers in Peking and abroad, RMRB is primarily a domestic medium of communication. It must otherwise be taken as a contradiction that RMRB was exercised in castigating S.Korea and lauding the "traditional friendship between China and N.Korea", while BR noted the dedicated economic relations between China and S.Korea.

The situation as regards S.Korea is only slightly better. Although markedly more accessible to the outside world than the PRC, S.Korea has thus far fallen appreciably short of being an open society(5). Not only has there typically been censorship of varying rigour throughout its brief history, but successive S.Korean regimes have also manipulated the contents of their own publications for propaganda and other purposes, mainly using daily newspapers, and applying considerable skill in making such adjustments(6). Three notable instances of such manipulation may be mentioned. S.Korean newspapers offered very limited coverage of Chinese affairs in the period immediately following the declaration of June 23 1973 by President Park Chung Hee. In the early 1980's, however, more information on the improving relations with China began to appear in S.Korean newspapers, reflecting President Chun Doo Hwan's desire to strengthen perceptions of his government's legitimacy. Again in December 1987-April 1988, all S.Korean newspapers carried extensive coverage of the development of relations between



China and S.Korea, precisely when President Roh Tae-Woo launched his New Northern Diplomacy towards the Communist countries.

The use of original language materials to track the changing relations between China and S.Korea permits comparison over time and facilitates a cumulative understanding. Relatively few monographic studies have employed this approach to date. United States Government and *quasi*-official British publications such as Foreign Broadcast Information Service (Hereafter FBIS) and British Broadcasting Corp./Summary of World Broadcasts/Far East (Hereafter BBC/SWB/FE) have been invaluable as a source of primary documents, including central directives and background briefing materials dealing with issues between Seoul and Peking. The informed commentaries of the Hong Kong publication Far Eastern Economic Review (Hereafter FEER) were also most useful, being a reflection of public and private views held by both the Chinese and the S.Koreans.

Most of the developments in relations between China and S.Korea took place behind-the-scenes so that it is an important analytical problem to explore the linkage between the leadership's intentions and the actual relations between Peking and Seoul. So far as trading relations are concerned, estimates made of trade volumes are often unreliable. Whatever the nature of the trade, the flow from S.Korea to China is exaggerated by S.Korean government subsidy, and from China to S.Korea it is continually understated in order to avoid provoking N.Korean anger. There is no way to establish with any degree of certainty the true volumes traded between the two countries, though it is clear that these have grown rapidly during the period under study, starting from a tiny base, and fluctuating significantly around the middle of the period. The dearth of pertinent evidence suggested that an attempt should be made to gather more, by empirical examination.

In conducting this empirical examination, the author had several interviews with people who, because of personal sensitivity, refused to be identified. The interviewees were selected on the basis of their official positions and experience, as well as their accessibility. Several S.Korean and Hong Kong Chinese officials and businessmen provided ideas which assisted in the understanding of policy-making processes in relations between China and S.Korea(7).

In transliterating Chinese and Korean into English, I have followed a mixed practice. While the titles of books and articles have been rendered in accordance with the *McCune-Reischauer* system and the *Pīn-yīn* system respectively, as a general rule, personal names are spelled according to the preferences of the individuals concerned, and place names follow common usage. Both Chinese and S.Korean personal names almost always consist of a one-syllable surname, which precedes a two-syllable personal name.

For Chinese, the *Pīn-yīn* system of romanisation adopted by the PRC will be used throughout, except for such widely recognised English names as Peking, Kuomintang, Canton, Taiwan, and the Yellow River, but the first time a particular name appears the former spelling will usually be added in parentheses as BR. To avoid excessive confusion, this dissertation will use the familiar English names of both people and places such as Chiang Kai-shek, Hong Kong, Tibet, Manchuria and the philosopher Confucius, rather than employing the names currently used in China (Jiang Jieshi, Xianggang, Xizang, Dongbei, and Kongzi).

For Korean, the romanisation of N.Korean names, both of people and places, follows the practice of the "Pyongyang Times", whereas for S.Korean names and general terms the *McCune-Reischauer* system has been used. Exceptions were made, however, where the idiosyncratic spelling of names was known, as found on their business cards for example, or for those persons not known by this author

personally, where the spelling most frequently used in the English press or periodicals has been repeated here.



## Notes

- (1) Throughout this dissertation, I shall use the terms China, Hong Kong, N.Korea, S.Korea, Taiwan, US, and USSR, as shorthand for their full names - the People's Republic of China (PRC), the British Crown Colony of Hong Kong (Hong Kong), the Democratic People's Republic of Korea (DPRK), the Republic of Korea (ROK), the Republic of China (ROC), the United States of America (USA), and the Union of Soviet Socialist Republics (USSR), respectively. These relations are referred to as "Chinese-S.Korean" by both Chinese and S.Koreans. Throughout this work the common usage of Chinese-S.Korean will be used without any political statement implied. What the Chinese refer to as "Korea" includes both North Korea (N.Korea) and S.Korea. On the other hand, what the Koreans refer to as "China" includes both Communist China and Nationalist Taiwan but, after 1949, it signified the PRC.
- (2) Northeast Asia is used here to refer to the PRC, Taiwan, Korea, Japan, the Soviet Far East, and Siberia.
- (3) There are many cases in which it is important to distinguish between "image" and "perception" though the two terms are usually used interchangeably. In this work, I believe David Shambaugh's distinction between these terms is suitable for this framework. David Shambaugh, *Beautiful Imperialist: China Perceives America, 1972-1990* (Princeton, New Jersey: Princeton University Press, 1991), p. 4. He defined it as follows: "'image' will be used to describe categories of specific articulated 'perceptions'. The image is a mental construct that categorises and orders disparate pieces of information and helps to shape an articulated response (perception)." Quoting from Allen S. Whiting: "'Image' refers to the preconceived stereotype of a nation, state, or people that is derived from a selective interpretation of history, experience, and self-image... 'Perception' refers to the selective cognition of statements, actions, or events attributed to the opposite party as framed and defined by the preexisting image. To use a figure of speech widely found in the literature, 'image' provides the frame and the lenses through which the external world is seen or perceived." Allen S. Whiting, *China Eyes Japan* (Berkeley: University of California Press, 1989), p. 19.
- (4) Given the differences between China and Korea in terms of size, culture, population, and history, use of the term "attitude" and "policy" in this work connotes the whole set of relations between them, rather than merely the international relations or foreign relations between the different nation-states, which, as has been often argued, are quite distinct.
- (5) In some instances, foreign policy documents in S.Korea may be handled separately under special controls, to minimise the possibility of their falling into hands of the N.Korean government.
- (6) The author, currently holding the rank of Lieutenant Commander (Hereafter LCDR) in the S.Korean Navy, has spent two years between July 1986-August 1988, immediately prior to taking up this research work in Bristol, as a Watch Office in the Joint Intelligence Indication and Warning Centre in the Combined Forces Command United States/Republic of Korea (Hereafter CFC US/ROK) in Seoul. This furnished an opportunity to scrutinise and compare materials carried by most of S.Korea's daily newspapers with FBIS sources unclassified within CFC J-2. Particular attention was given to documents issued between July 1986 and August 1988. S.Korean newspapers routinely reprinted foreign newspapers' releases belatedly, long delays sometimes marking their appearance. The more strident S.Korea's hope for improved relations with China, the more likely such reports were to be specifically attributed to S.Korean sources. Together with the exaggerations typical of many daily newspapers, and mis-emphasis by means of leading headlines, this allowed a substantial degree of manipulation.

- (7) Some interviews, however, failed to materialise because the prospective interviewees feared to be compromised in their present roles by publication of their views in this dissertation. The interviews were conducted from March 1989 through 1990. Each interview lasted no longer than one to two hours. Interviewees have proven to be of little use for research on foreign affairs. Infrastructure officials and businessmen from both sides are too far removed, physically and professionally, from the decision-making process in relations between China and S.Korea to have much interest in or information on the subject. For example, a Chinese research fellow at Bristol University who was interviewed by the author acknowledged that China, in particular the Northern provinces, preferred cooperation with S.Korea via the Yellow Sea, trading technology and goods, rather than engaging in inefficient and incompatible trade with N.Korea. However, the need to make media material genuinely accountable has meant that his remarks were neither quoted directly nor attributed any references.



## **CHAPTER ONE: THE LEGACY OF THE PAST**

How complex is the relationship between China and S.Korea? To answer this question it is necessary to analyse the historical associations between the two countries, dating back two thousand years. Memories of the past have as often been a liability as an asset in relationships between the two countries. A critical analysis of the historical perspectives could explain the reason why the relationship between China and S.Korea is changing from one marked by tensions and confrontation to a more cordial relationship, giving rise to the future possibility of friendship between the two nations.

### **1.1 Background**

The history of the relationship between China and Korea has been well documented. Its immense landmass, its large population and its wealth of natural resources as well as its deep cultural foundations have placed it in a position of superiority *vis-a-vis* Korea in Northeast Asia. Hence, the relationship between China and Korea can be viewed as one based on paternalism, with Korea serving China and the latter recognising a duty towards the former in much the way that an elder brother may recognise a duty towards a younger brother. China was seen as a great power by Korea (*Dae kuk*) whereas Korea's relationship with China was referred to as *shih-ta*, that is a small country serving a large one(1). Thus, Korea was defined as part of the Chinese "sphere of economic and political influence", "little China" and "fine example of alliances", and meant that Korea was influenced, first and foremost, by Chinese culture(2).



In practical terms, this meant that Koreans followed the Chinese pattern of cultural and economic development in terms of distribution of land, absorption of Chinese culture, i.e. Buddhism, and the Chinese political system, i.e. Confucianism. Although Korea maintained its own cultural identity, the Koreans had not developed a written language of their own, but borrowed the Chinese system of writing, producing books and documents in Chinese. Hence, it can be seen that China and Korea have a long history of socio-cultural and economic exchange.

Furthermore, China and Korea have maintained healthy trade relations over much of the past two thousand years. Both countries needed to trade to obtain commodities produced or controlled by the other, and trade was therefore based on mutual self-interest. Trading places were set up both in the capitals and in the provinces; and gold, shells and iron were often used as money to barter, although Chinese coins began to circulate, particularly in the metropolitan areas frequented by the Chinese. In the ninth century, a Korean merchant, Chang Po-go, built up a commercial empire using Chong-hae-jin (an island off the South coast, now known as Wandon) as his main base. He provided transportation to government officials wishing to travel to the Chinese court. This, coupled with the establishment of trading communities on the southern coast of the Shandong peninsula and on the lower region of the Hual River, ensured that trade between China and Korea flourished via the Yellow Sea lines(3).

Although trade between the two countries declined sharply with the death of Chang Po-go, Chinese and Korean merchants, continued to trade throughout the various dynastic periods. Trade even increased with the Liao in Manchuria, and the river ports of Yesong River began to play an important role. Guest houses were built and trade offices were established in the capital and the provinces for diplomats and

merchants from China and Korea. Korea's main export items were gold and silver utensils, raw copper, ginseng, hemp cloth, paper, inkstone, and felt. China exported tea, lacquerware, books, dyestuffs, and medicines. Although both China and Korea were technologically influenced by the West in the eighteenth century, it was only with China that Korea maintained foreign trade; sustaining a vitally important economic relationships between the two countries(4).

Although China has been a major power on the Korean peninsula, the relations between China and Korea has not always been viewed as that of junior partner to great power. There have been two currents upsetting this simplistic description of the two countries' affairs. First, the Chinese have often set limits in their own influence insofar as they have generally preferred to behave as if China was the only place of real consequence, with outlying areas being seen as having much less significance, for example as cultural or military buffer-zones. The "Great Wall" of China can be seen as the physical manifestation of this sentiment - the so-called "Middle Kingdom"(5). Second, the proudly nationalistic Koreans resisted the prospect of Chinese conquest and their consequent assimilation into the Chinese cultural and political system. At the same time, the Korean sense of national identity and independence led to strained relations between the two countries. The Koreans have made a determined, though sometimes tortuous, effort to pursue their own distinctive self-consciousness amidst the subtle, but at times forceful pressure for integration or assimilation into the dominant Han Chinese culture. This effort has been further complicated by a combination of other factors, notably by the historical circumstances surrounding specific acts of Korean resistance, by the changing relations between China and Korea and above all by China's fluctuating domestic politics. While China was politically divided and plunged into internal conflict, with dynasties rising and falling in rapid succession, Korea, faced with the Chinese threat to its national identity, retained a strong sense of unity and



adopted a policy of military expansionism towards China. The superior-inferior power view of the Chinese-Korean relationship is therefore less than entirely accurate. Despite, during the long period of her history, Korea was frequently invaded by, or under the domination of China, Korea is now proud of its rich cultural legacy which is often uniquely Korean. The Korean people maintained a remarkable homogeneity as well as their national characteristics and independence.

Throughout her history China has been primarily concerned with the security of her northeastern borders, which she repeatedly defended against barbarian incursions. She was reluctant to be drawn into any fighting against Korea along these borders. To understand the complexity of the relationship between China and Korea it is necessary to consider China's two-layered territorial concept as some sort of basic Chinese foreign-policy orientation towards Korea. Owen Lattimore in his influential book, Inner Asian Frontiers of China, argued that this was represented by the "Great Wall" which stood as a demarcation between China and Korea and reflected a pattern of ritual relations in which Korea accepted a sort of Chinese suzerainty: the inner region included areas such as mainland China, Inner Mongolia, and Tibet which were under the direct rule of China, while the outer territory included its neighbouring countries such as Korea, Annam, Manchuria, Outer Mongolia, and the countries in the Himalayas including Nepal(6). Furthermore, the Chinese had a very highly developed sense of their own identity as a distinct ethnic group, the "Han", which led them to view the Korean-Chaoxian race as barbarians(7). This xenophobia is reflected in the Chinese name for Korea--*dong-l*, "eastern barbarians", which, when written in Chinese characters, can be translated by the derogatory term "radical dog".

Although China limited her territory to the inside of the Wall, Korea was not content to accept the position of junior partner in a tributary relationship. For example,

during a period of instability in the Han dynasty, Koguryo expanded its territory by annexing the Chinese Commanderies, one by one, finally taking Lo-lang. Koguryo also attacked Liaodong, emerging as one of the strongest kingdoms in the region, extending its western border to Manchuria. During the rule of two Koguryo kings, Kwangaeto and Changsu, the Koguryo territory expanded to reach the Liao River area. It was for that reason that two subsequent Chinese dynasties attempted offensive expeditions against Koguryo. In A.D. 644, after the Sui dynasty was overthrown, the Tang rulers Tai-tsung and Kao-tsung made numerous offensive military expeditions against Koguryo. The battles resulting such as that Ansi-song fortress, became sources of national pride in Korean history. Moreover some of the Koguryo generals, for example UlchiMun-Dok and Yon Kae-so-mun, were described by the Chinese as being the most invincible generals in history. Clearly China viewed Koguryo as a potent rival for the control of Manchuria(8).

Finding it impossible to destroy Koguryo's power on her northern border by direct attack, China formed an alliance with the Silla kingdom, who cooperated with the highly civilised Tang dynasty to avoid attack by the Koguryo and Paekche. Subsequently, Korea lost the opportunity to maintain her traditional privilege in Manchuria, which had been colonised by the Koguryo. This motivated the Koreans to free Manchuria from Chinese influence. For example, in A.D. 943 the King of Koryo, Wangkon, the founder of Koryo dynasty, decided to recapture the northern Korean peninsula for his successor, which was often referred to as "*Buk-jin Chung-chaek*" [March North Policy]. This was a source of national pride as part of Korea's historical struggle against an arrogant China(9). After two military expeditions to Manchuria during the Koryo in the 10th century and Yi dynasty in the 14th century, Korean persistence was rewarded when General Choi Young took advantage of the weakness of the disintegrating Ming dynasty to restore Manchuria to Korea. It was these



'expeditions' that made it necessary for China to deploy large numbers of troops along the "Great Wall" to defend her territory, and which enabled Korea to recover her lost territory(10).

Considering the problems of compromise between China and Korea that created by culturally-rooted Chinese desire to distinguish the civilised from the barbarous, and to exclude the latter, and therefore constitutes for them a concrete expression of China's controvertial foreign policy, a climate of rivalry developed between China and Korea over the possession of Manchuria, which became known as the "Palestine of East Asia," created some of scholars appear to dissent from the present demarcation line between China and Korea. In recent scholarly arguments, put forward by Yoon Rae-hyeun and Kim Sung-hun, it was pointed out that the line of the Yalu River has not always marked the border between China and Korea. They insisted that the castle of "Pyongyang" was not the location of the capital of N.Korea but that the capital was located somewhere in the vicinity of "Liao River"(11). Evidence supporting these arguments has recently surfaced through two general references describing the demographic distribution of the Chinese and Koreans in Northeast Asia, in which the Han-Chinese were placed as residing near the inner area of the Wall near the Huanghe and Changjiang Rivers, while the barbarian-Chaoxian race lived in the northeast areas of Jilin, Heilongjiang and Liaoning(12).

By the late Imperial China period the geographical proximity of Korea to China as a land bridge between continental and ocean made Korea's relationship to China more complex. Korean peninsula possessed great strategic geopolitical significance. China viewed Korea as essential to her national security because of its geopolitical location. Korea is a peninsula with an area of 85,286 square miles, some 600 miles long and 150 miles wide. Its boundary with Manchuria along the Yalu and Tumen Rivers in the North

East measures approximately 850 miles. Some 75 miles south of the Russian naval port of Vladivostok, Korea forms a border with Russia (one of China's most recent rivals) for a distance of about 11 miles. Japan, which was one of China's closest competitors for the Korean peninsula, is separated from the Southern areas only by the Sea of Japan [the Eastern Sea].

The rivalry between the two major powers of China and Japan often erupted into conflict threatening both China's physical security and her traditional supremacy over Korea. Twice during the period of the Korean Yi dynasty, Japan invaded Korea as a prelude to the invasion of China. China reacted immediately by dispatching troops to aid Korea. In 1894-95 China fought Japan when the Japanese attempted to take control of the Korean peninsula. Thus, as long as the Chinese needed to keep Korea within the sphere of Chinese influence, and to neutralise and contain other powers' interests in the area, China's policy towards Korea can be summarised by the words of a well-known Chinese politician, Lee Hong Zhang: "Korea was the wall protecting China's three eastern provinces." Korea's geopolitical value to China was expressed in Chinese as the "lips (Korea) protecting the teeth (China)"(13).

The struggle with Western imperialism ultimately persuaded China to relinquish its superior position in relations with Korea, forging a new basis for a Sino-Korean bond in the struggle against hegemony war on the Korean peninsula. Thus it was that China officially declared that "Korea, though a dependent of China, is completely autonomous in her policies, religion, prohibition, and laws. China has never interfered [with] it"(14). This indicates that the Chinese leaders were trying to use diplomatic means to consolidate their national security in this historic declaration regarding Korea's independence. While China failed to maintain its high profile relationship with Korea, the threat from Western imperialism and colonialism provided the main Chinese



motivation for influencing Korea to remain on friendly terms with China, and to maintain her role as a buffer state.

In the closing years of the nineteenth century China lost her superiority over the Korean peninsula and the traditional Confucian patron-client relationship between the two countries came to an end. Relations between China and Korea became more complex and multilateral. The fact that Western imperialism, and also China herself, were competing for influence in the Korean peninsula enabled Korea to play one off against the other as a means of maintaining her security. In the late nineteenth century, when various factions in the Yi dynasty wanted closer ties with Western imperialist powers in order to strengthen the nation, China was reluctant to share its privileges in Korea with Western imperialists(15).

Conversely, the Chinese have also invoked the memory of their past geopolitical intercourse with Korea whenever bilateral relations between China and Korea were threatened by the West. When World War II plunged both countries into conflict with Japan and the West, Korea and China shared a common experience of Japanese colonialism. This shared experience meant that closer links were forged between Korea and China, particularly with the two Chinese factions who were most vocal in their protests against the Japanese. Such Sino-Korean convergence animated China's struggle against Japan, and resulted in a greater degree of mutual understanding and friendship between the Chinese and Koreans. In contrast to the Japanese, under whose colonial rule Korea had been since 1910, both the Chinese Nationalist government, the Kuomintang (Hereafter KMT), and the Chinese Communist Party (Hereafter CCP) appeared ready to allow Korea to maintain its individuality and to share a partnership of equality with them.

After the failure of the 1919 Independence Movement against Japanese rule in Korea many nationalists fled to Manchuria. There they established a number of Korean military units in order to conduct small-scale attacks against the Japanese army and police, and also to carry armed resistance across the Tumen and Yalu rivers into Korea proper. When the Japanese government adopted a 15-year plan to transfer 300,000 Korean rural households to Manchuria in the early 1930's, a large number of Korean peasants, the so-called "*Chosen* minority," went to Manchuria to avoid economic hardship at home and seeking new opportunities on the bustling Manchurian frontier which was seen as a land of opportunity, where Koreans enjoyed a privileged position over the native Chinese(16). The KMT, and the CCP both rendered assistance to the exiled "Provisional Government of the Republic of Great Korea (Hereafter KPG)". They also helped the troops of the "Korean Liberation Army in China" in their struggle against Japan in Manchuria, which became a logistical link in the Japanese invasion of China in the 1930's(17). It was, however, to the CCP that the Koreans gravitated in their struggle against the Japanese, and Korea became involved with the Far Eastern Bureau of the Comintern in Shanghai. The CCP trained Korean Communists and sent them back to Korea. Several cells of Korean communists left Korea for China, mainly to Manchuria, because of Japanese surveillance in Korea. Those who returned to their resistance movements formed a united front against Japanese colonialism. For instance, several thousand young Koreans joined the Northeast Anti-Japanese United Army (Hereafter NEAJUA) (*Dongbei kangri lianjun* in Chinese) organised by the CCP in 1935(18). According to Edgar Snow's interview with Mao Zedong, Mao clearly excluded Korea from China's lost territories and expressed an interest in Korean independence as follows:

"It is the immediate task of China to regain all our lost territories, not merely to defend our sovereignty south of the Great Wall. This means that Manchuria must be regained. We do not, however, include Korea, formerly a Chinese colony, but when we have re-established the independence of the lost



territories of China, and if Koreans wish to break away from the chains of Japanese imperialism, we will extend them our enthusiastic help in their struggle for independence"(19).

The question of Korea was largely ignored at the meeting of the allies in Cairo, on December 1, 1943, but China forced the US and the USSR to agree that "in due course Korea shall become free and independent"(20). The phrase "in due course" was presumed by China to mean, "when Korea is liberated from Japan", so that Korea would once again act as a buffer zone for China, which China regarded as essential to her national security; but China wanted no foreign influences involved. Suffice it to say that China's basic objective was to prevent the internationalisation of the Korean conflict, as had happened before in 1894-95 and 1904-05(21).

### **1.2 China and the Korean War**

Despite the early expectations, the defeat of Japanese militarism did not place China in a favourable position with regard to the Korean peninsula. The power vacuum in the Korean peninsula was filled instead by America and Russia, who were responsible for accepting the Japanese terms of surrender which called for a temporary demarcation of Korea at the 38th parallel. The Soviet occupation of the North resulted in a neater, more coherent system to Chinese eyes than that which was developed under American aegis in the South. In practice, Communist China was initially more preoccupied with the struggle for Taiwan than with building up relations with Korea. The relationship with Korea appears to have mainly revolved around the expression of ideological sympathy, which can be frequently found between Communist regimes.

The reason why the Chinese Communist leaders did in fact come to favour the north of the Korean peninsula over the southern part was the closeness between the

Yanan faction of N.Korea and factions in Manchuria and other parts of China. In the early postwar period, indigenous Communists vied in Manchuria with China's Koreans who had long been allies of the Yanan Chinese. Several Koreans who joined the CCP-sponsored North China Korean Volunteer Army and participated in the NEAJUA and the Long March returned to N.Korea and obtained high military or administrative positions. After World War II, the China-Korea border was closed what was perhaps intended as a temporary exclusion became a permanent ideological divide. Many Koreans in China were in a state of confusion, and a large majority decided to remain in Manchuria for a variety of reasons(22). The CCP manoeuvred to expand its sphere of influence amongst the Koreans separated from their families in Korea, in particular to those whose family ties were with the north of the Korean peninsula. In contrast, China viewed S.Korea, which was under American military rule, as being in a colonial or semi-colonial stage, needing to struggle against US and Japanese imperialism. Instead the US Military Government in S.Korea thwarted several attempts at the setting up of a S.Korean government, i.e., the People's Republic of S.Korea, the S.Korean Interim Government and the S.Korean Interim Legislative Assembly. The US insisted that, although the eventual goal was integration into the free world, Korea was not yet ready to enjoy that freedom and independence, and needed to be under the tutelage of the Allied Powers for a considerable time in order to establish democratic political institutions(23).

The nation was in turmoil; suddenly free from the tight control of the Japanese colonialists, but without a clear direction and badly split between two domestic forces. This was before the Korean War, which Jon Halliday and Bruce Cumings describe as essentially a phase--marked by massive outside intervention--in a civil war fought between a revolutionary nationalist movement, which had its roots in a tough anti-colonial struggle, and a conservative movement tied to the *status quo*, in particular to



an "unequal land system"; this conservative force having been restored to power under the US occupation(24). After widespread disappointment and anger over land reforms there was a wave of strikes and demonstrations all over S.Korea in September and October 1946. The people in favour of Communist reforms were opposed to the US military government, and demanded reforms in the political, economic and social systems. There was also the Yosu rebellion of October 1948, which was inspired by left-wing activists, resulting in the annihilation of a large number of villages.

When the Republic of Korea (Hereafter ROK) was established in April 1949 in the southern half of the Korean peninsula, Chinese communist leaders asserted that there was a need to intensify the guerilla campaigns in S.Korea because they believed the ROK was an American puppet government, although its objective was in fact the establishment of an independent state. Such campaigns, it was stated by the Chinese media, should come from an indigenous liberation movement and be based on the Chinese People's Committees. In referring to this, one Chinese official asserted that: "... S.Korea, etc. had a great people's struggle within them, correctly and justly striving for Liberation"(25). In effect, China's attitude towards S.Korea was dominated, ideologically, by Proletarian Internationalism. On November 14, 1949, RMRB argued that "... The Korean people wanted independence and unity/liberty from the United States yoke"(26). Later, Liu Shao-chi's 1949 address in Peking to the Trade Union Conference of Asian and Austronesian Countries affirmed that:

"The movement of the Korean people against Syngman Rhee, puppet of American imperialism, and the establishment of a unified people's democratic Republic of Korea cannot be halted"(27).

It was in fact the KMT, rather than Communist China, which moved most positively towards improving their relations with S.Korea. The KMT established a

consulate in Seoul in 1947 and, after officially recognising the Korean government on January 4, 1949, opened an Embassy and appointed Shao Yu-lin as the first ambassador to Seoul in the same year. Soon after, President Chiang Kai-shek visited Chinhae, the S.Korean Naval Base, for talks with President Syngman Rhee on 6 August 1949; the need for friendly ties between the two countries was stressed, and both countries pledged to maintain a united anti-communist front(28). After the Communist conquest of the Chinese mainland and the establishment of the People's Republic of China (Hereafter PRC) in October 1949, the S.Korean government refused to recognise the existence of the PRC.

The Korean War was critical in contributing to hardening of the relationship between China and S.Korea. At the start of the Korean War in 1950, the traditionalists argued that the PRC was largely responsible for the start of the conflict. They believed that the Chinese transferred 12,000 Korean troops, who had taken part in the People's Liberation Army (Hereafter PLA) 164th Army, back to N.Korea. This, they believed, was a result of Mao's mysterious visit to Moscow to negotiate the Sino-Soviet treaty in February 1950. However, it is hard to believe that China was behind N.Korea's plan to invade the South as, prior to the early 1950's, China and N.Korea failed to exchange ambassadors, or negotiate formal and public treaties, nor had any of the usual channels of diplomatic communications been established. Up until 1953, there had been no economic or cultural agreement between China and N.Korea(29). Neither does it appear that Peking provided Pyongyang with military assistance. It is likely that China's economic problems and military difficulties precluded any support for N.Korea except on an ideological basis, and China viewed the relationship of N.Korea to S.Korea in the same way as she viewed her own relationship with Taiwan(30). Although it appears that China's multiple weaknesses limited her support for N.Korea, so that the Chinese Communists did not directly encourage Kim Il-sung to attack S.Korea, the



Chinese attitude towards the Korean War was nevertheless rooted in their traditional obsession with "barbarians".

It was clear to China that the Korean War was caused by a "Chiang-Rhee conspiracy" which promoted an anti-communist league in the Pacific with the aim of forming a regional defence body of anti-communist nations modelled on the North Atlantic Treaty Organisation (Hereafter NATO). China claimed that "the attack by the puppet Korean government of Syng-man Rhee, on the Korean Democratic People's Republic (Hereafter DPRK), at the instigation of the US government, was a premeditated move by America to invade Taiwan, Vietnam and the Philippines"(31). Despite the weakness of S.Korea's armed forces compared to the armed forces of the North, S.Korean President Rhee called for a "March North" on 12 October 1949, and S.Korea allied herself with Taiwan(32). Furthermore, Nationalist China, in addition to conducting a military operation against the mainland, offered to send more than 30,000 troops to S.Korea in order to encourage American economic and military support by exaggerating or distorting the "relations of military co-operation" between China and N.Korea(33).

China's main concerns in the Korean War were deterrence, and the defence of China from a US threat as American troops approached the Chinese border. The Korean War was to be a test as to whether the newly established PRC was to be regarded as a power capable of bargaining for her rights and of retaining her integrity. In fact, the US ignored repeated private and public warnings that China would not sit idly by if US forces crossed the 38th Parallel. Intervention by the PRC in the Korean War might have been motivated, in part, by a real fear that the security of their new regime would be endangered, and that there would be a serious threat to Manchuria(34).

By the end of August, *Shi-jie zhi-shi* [World Knowledge] offered convincing evidence of Peking's growing interest in the Korean War, expressing its concern about the US military action as follows:

The barbarous action of American imperialism and its hangers-on in invading Korea not only menaces peace in Asia and the world in general but seriously threatens the security of China in particular.... It is impossible to solve the Korean problem without the participation of its closest neighbour, China.... North Korea's friends are our friends. North Korea's enemy is our enemy. North Korea's defence is our defence. North Korea's victory is our victory(35).

Manchuria revealed her own concern and this heightened Peking's concern(36). American occupation forces in N.Korea represented a threat to Manchuria, the most valuable industrial province in China. The Yalu hydroelectric dams supplied electricity for Manchuria's industrial programme and the PRC regarded this area as one of their pilot zones, in which sweeping industrial change would take place. China's concern was most clearly expressed by Zhou Enlai in his report to the Standing Committee of the Political Consultative Congress, delivered on October 24, 1950, dealing with the implications of the Korean War for China's security interests. In Zhou's view the struggle in Korea was inextricably linked to security:

"...If Korea suffered defeat, our Northeast will accordingly be in jeopardy. If American imperialism extends its aggression to the Yalu, how can we carry out our production tasks?(37)"

Finally, when the American government brought their troops to the doorstep of Manchuria on 15 October 1950, the entry of the Chinese People's volunteers (Hereafter CPV) into the Korean War clearly indicated China's commitment to keeping invaders at bay. The following slogan was taken up: "resisting America, aiding Korea[North], and defending our fatherland"(38). China possibly thought that dispatching troops to Korea with the aim of uniting Korea would relieve her own weak position and she would then



be in an offensive position rather than a defensive one *vis-a-vis* the US. China would then have regained her traditional influence in Korea(39). It was the first time that Chinese forces crossed the border to engage in combat with the armed forces of a Western super-power.

The Americans, however, were anxious to avoid an escalation of war into a global conflict, and Chinese fears concerning America's intention to extend the war into Manchuria were allayed. Therefore, what John Gittings had termed Mao's "Korea gamble" paid off: the War was contained within the peninsula, the N.Korean regime was saved, and the nightmare of a menacing American military presence on the Yalu receded(40). The Chinese insisted that the *status quo* should be maintained, and that Korea should be reinstated as a buffer zone between China and the US. In this vein, when the Soviet Ambassador to the UN made proposals for a cease-fire, RMRB declared two days later that the Chinese people fully endorsed the Soviet suggestion for a peaceful settlement of the Korean question(41). According to Hao Yufan and Zhai Zhihai, the Korean War was not welcomed by the PRC, and China's decision to be involved in the Korean War was made in a risky and uncertain situation with a very complicated historical background(42).

China's objective in intervening in the War was to retain Korea as a buffer zone between China and foreign invaders. Following the signing of the armistice, as Mao reviewed the history of the War, he was still concerned about the US military threat and with what had been accomplished:

For us the present situation is different from that in the winter of 1950. Were the US aggressors then on the other side of the 38th Parallel? No. They were not. They were on the other side of the Yalu and Tumen Rivers. Did we have any experience in fighting the US aggressors? No, we did not. Did we then know much about the US troops? No, we did not. Now, all this has changed(43).



On the other hand, S.Korea's anti-communist movement had failed to achieve its objective of the reunification of the peninsula; the failure was seen to be the result of massive Chinese intervention. President Rhee saw the war as an opportunity to reunify Korea on his terms and, therefore, he adopted anti-Chinese policies. Moreover, although the S.Korean Government abided by the terms of the armistice agreement, no representative of the S.Korean Government had signed the agreement. This has been described as S. Korea's greatest mistake, as an opportunity to hold face-to-face talks with the PRC was missed.

### **1.3 The Ideological Struggle after the Korean War**

The outbreak of the Korean War and the subsequent entry of the CPV heralded a considerable intensification of the ideological struggle in relations between China and S.Korea. Moreover, the Cold War in Northeast Asia represented a further source of conflict between China and S.Korea. The Korean War taught both China and S.Korea two lessons; the dangers of obsession with antagonistic ideologies, and the necessity of standing by their allies. These lessons subsequently dominated their relations with each other, influencing China to formalise its alliance with N.Korea in 1961, likewise S.Korea with the United States in 1953(44).

The Korean War brought China and S.Korea into the Cold War and to the forefront of the East-West confrontation. One of the key factors in the situation between China and S.Korea was the question of ideology pertaining to national security, rather than simply the perception of national interest. It dominated both China's and S.Korea's foreign policy. For instance, China's attitude to the question of ideology is what J.D. Armstrong called the "adaptation of ideology," i.e., her ideology was moulded to help her

survive in a highly competitive international system(45). At the same time, S.Korea's foreign policy was coloured by a monolithic anti-communist policy, referred to as the "ideological crusade" and conducted on her behalf by the US. Thus, S.Korea displayed a strong ideological commitment to anti-communism and one scholar referred to her as "a child of the Cold War"(46).

The Geneva Conference on Korean Unification, from April 26 to June 15 1954, did not produce any agreement, largely because the contending sides, China and S.Korea, had different views about the role of the UN in the political settlement of the dispute. The S.Koreans, backed by the US, insisted on using the international organisation to supervise the post-war election in Korea. To the Chinese, however, the UN was not an impartial force because it had been used by the US to condemn China as an "aggressor" in Korea. China rejected UN authority over collective security in Korea, stressing the international role of neutral countries(47).

After the Korean session of the Conference failed due to these differences, President Rhee was instrumental in starting "the Asian Pacific Anti-Communist League" (Hereafter APACL)(48). The proposal for the formation of this organisation was first mentioned in a joint statement issued by President Rhee and Chiang Kai-shek in Taiwan on November 27, 1953. They propagated the idea of a "military alliance" between the USSR, the PRC and N.Korea in order to give their ideas a logical basis(49).

China tried to manipulate the Geneva Conference to its advantage, putting increasing stress on the doctrine of "peaceful coexistence", and attempting to improve China's international standing by diplomatic means. It provided China with a good opportunity to enhance its international prestige and increase its influence in Asia by

playing the role of peacemaker; and this led to China playing a major role in the region(50).

After Geneva China was eager to block all of S.Korea's efforts to unify the country through free elections. Furthermore, Peking repeatedly tried to exert pressure on the US and other countries which fought under the UN's mandate in defence of S.Korea, to withdraw their troops as well as their political and economic support for S.Korea(51).

Chinese leaders, then, concentrated their efforts on increasing their influence in N.Korea. High-ranking leaders of the two countries met frequently for talks and exchanges of ideas, and these meetings were given high-profile coverage by Chinese media. Ties between China and N.Korea became closer, while, at the same time, as much as possible was being done to subvert the South. This was clearly an important landmark in establishing hostilities between China and S.Korea(52).

China's strong ties with N.Korea led the new S.Korean military government to adopt an anti-communist policy as a national priority after the military coup. The first official pronouncement by the leaders of the military junta, known as "Six Revolutionary Pledges", contained strong anti-communist policies(53).

The antagonism between China and S.Korea escalated and their relationship deteriorated. The result of certain incidents was that opportunities for communication were missed. For instance, when two Chinese pilots of a AN-21 plane landed in S.Korea in 1961 with the aim of defecting to Taiwan, Seoul talked to Taipei and immediately sent the crew and the plane to Taiwan. This was used to encourage the anti-communist propaganda campaign(54).



Moreover, differences between China and the USSR over N.Korea grew wider in the wake of the Sino-Soviet dispute from the mid 1950's to the late 1960's. This led China to foster closer links with N.Korea such as signing a treaty of "Friendship, Cooperation, and Mutual Assistance" on July 11, 1961. While Peking did not specify the conditions of its treaty with Pyongyang, as compared with Soviet-N.Korean treaty of alliance on July 6, 1961, it was clear that China had a much stronger desire to maintain its ties with N.Korea than had the USSR, and the treaty between Moscow and N.Korea was less specific(55). As a result, China recognised N.Korea as being unique in the communist world in that Pyongyang was a party in two treaties, one with Peking and the other with Moscow, which are still in effect(56).

Two of China's foreign policies in the 1960's played a key role in determining the S.Korean government's anti-communist/anti-Chinese policies: 1) the Chinese role in the Vietnam war, which was based on the Maoist Revolutionary Model, and influenced by disagreements between Moscow and Peking about "united action" in Vietnam; 2) China's continued support of the North's aim to reunify the peninsula by any means. These policies contributed to S.Korea's hostility towards China, and led the former to develop closer bonds with Taiwan than before.

President Park has always defended his decision to send S.Korean troops to South Vietnam, which he claimed was indirectly relevant to national security. He said:

"It is Communist China which supports and incites the North Vietnamese guerrillas behind the scenes. We all well know that it was also Communist China that supported and incited the North Korean Communists. Communist China is playing with fire in South Vietnam, just as she did in Korea 15 years ago"(57).

Ha-young Kim quoted President Park as saying that "he was preoccupied by the recurring memory of Chinese intervention in the Korean War in 1950"(58). As long as S.Korea justified its military activities in terms of a moral obligation to the free world's collective security, then a negative image of China was not only an ideological necessity but also a weapon that could be used to demonstrate how dangerous communism in China was.

Therefore, when China carried out her first nuclear test in October 1964, emerging as a nuclear power in Asia, the S.Korean government came under the psychological pressure of a nuclear threat from China. In 1965 and 1966 nuclear tests in China employed air delivery systems, and in consequence most of S.Korea's territories were affected by nuclear fall-out from the tests in radioactive rain covering the Korean peninsula(59). President Park, who was seriously concerned about the threat from the PRC, stated:

"Due to the nuclear capability of Red China, the entire Asian region is subject to the growing communist threats. ...Some Communist elements in Asia...may attempt infiltration to spread the influence of the Communism. As a nation which is near Communist China, the ROK should work out a flexible policy to cope with any possible new trends which may influence her security"(60).

At the same time, President Park gradually strengthened S.Korea's ties with Taiwan under the auspices of defending the security of Asian countries against China. After his state visit to Taiwan in February 1966, President Park took the initiative in sponsoring the "First Ministerial Meeting for the Asian and Pacific Council (Hereafter ASPAC)." S.Korea considered ASPAC to be a likely foundation on which to build a regional collective defence system against the PRC. Therefore, ASPAC decided to found an organisation called "the Cultural and Social Centre" and "the World Anti-Communist



League" (Hereafter WACL), the aim of which was to spread S.Korean influence over the Asian-Pacific(61).

Additionally, when the PRC provided assistance for N.Korea's guerrilla campaigns against S.Korea, Seoul stepped up its anti-communist/anti-Chinese campaign. In 1965 there were 88 intensive guerilla activities from the North; and the number of violent incidents rose, from 784 in 1967 to 985 in 1968(62). During the 1960's Pyongyang sent large numbers of guerillas and commandos, either by land or by sea, across the Demilitarised Zone (Hereafter DMZ) to S.Korea. And, in 1968, a commando group consisting of 31 men was deployed to assassinate President Park. S.Korea claimed that Peking provided N.Korea with the means to infiltrate S.Korea's western coastline, using their espionage agents from Haeju. Furthermore, they insisted, most of the weapons that N.Korea's guerillas carried were produced by the Chinese(63).

S.Korea's anti-Communist/anti-Chinese policy and Chinese support of N.Korea's hard-line policy led S.Korea to adopt the so-called "Hallstein Doctrine", which meant that S.Korea would automatically break off diplomatic relations with any nation that established formal diplomatic ties with the North. Thus, S.Korea broke off diplomatic relations with Mauritania in 1964, and with the Congo in May 1965(64).

At the same time, being preoccupied with Sino-N.Korean cooperation against her, S.Korea strengthened her military capability in the content of her partnership with the US. S.Korea spent a large proportion of her budget, as well as a large percentage of foreign aid from the US, in modernising her armed forces. President Park pointed out that "Nations who have a strategic interest in this part of the world, should have some role in its security"(65). For example, expenditure on the military accounted for about 29% of total government expenditure from 1960 to 1968(66). Hawk 1, a mobile, surface-



to-air missile system, and Nike-Hercules, a mobile or fixed-site, surface-to-air or surface-to-surface guided missile system with nuclear warhead capability, had been programmed for Fiscal Year 1963, and achieved operational status in 1965 and July 1966 respectively(67). Strikingly, Seoul decided to accept the introduction of the US's tactical nuclear weapons. According to The Economist, President Park offered the US Cheju Island, 50 miles off the south-western coast as a military base, if Washington decided to withdraw its nuclear weapons from Okinawa in the wake of America's concern about Sino-Soviet nuclear confrontation(68).

S.Korea's military power, combined with the US presence, was recognised by the Chinese not only as a threat to China but also as a strong regional military power to be reckoned with in Northeast Asia. According to the London-based International Institute for Strategic Studies (Hereafter IISS), S.Korea's formidable armed forces--600,000 strong in a nation of only twenty-two million in the late 1960's--posed a threat to other countries, apart from N.Korea(69).

#### **1.4 Conclusions**

Despite growing contact between China and Korea and Korea's adoption and absorption of Chinese cultural and economic concepts; historically, the relationship between the two countries has almost always been one of conflict rather than cooperation. This is due not only to rivalry over Manchuria but also to China's poorly developed territorial concepts. Bilateral relations between China and Korea have been story of mutual distrust and animosity.

Furthermore the involvement of the major powers on the Korean peninsula, due to Korea's geopolitical position, posed a threat to China, further complicating the

relationship between the two countries. China regarded Korea as a buffer zone essential to Chinese national security, as was evident during the Korean War. China's decision to intervene in the Korean War was determined by a blend of geopolitical and ideological considerations, the Chinese leaders perceiving Korea as one of their three most vulnerable fronts (the others being Indo-China and Taiwan).

The outcome of the Korean War deepened and institutionalised the confrontation between China and S.Korea; a deep-rooted suspicion and mistrust giving rise to a hostile atmosphere between the two countries. Suffice it to say that the legacy of the Korean War and the ensuing Cold War exercised a deeply destructive influence upon the relationship between China and S.Korea.



## Notes

- (1) Lien-sheng Yang, "Historical Notes on the Chinese World Order," in John King Fairbank, ed., *The Chinese World Order* (Cambridge, Mass.: Harvard University Press), p. 27.
- (2) Frederick M. Nelson, *Korea and the Old Orders in Eastern Asia* (Baton Rouge, Louisiana: Louisiana State University Press, 1946); Frederick Foo Chien, *The Opening of Korea* (Hamden, Conn.: Shoe String Press, 1967); Hae-jong Chun 'Sino-Korean Tributary Relations in the Ching period', in John King Fairbank, ed., *The Chinese World Order*, pp. 90-111. Gerald Segal described it as one of the most enduring of patron-client relations in the Chinese sphere of influence. Gerald Segal, *Rethinking the Pacific* (Oxford: Clarendon Press, 1990), p. 118.
- (3) Andrew C. Naham, *Korea: Tradition & Transformation* (Seoul: Hollym, 1988), p. 35
- (4) Ibid.
- (5) Owen Lattimore, 'Origins of the Great Wall of China: A Frontier Concept in Theory and Practice,' In *Studies in Frontier History: Collected Papers 1928-1958* (London: Oxford University Press, 1962), pp. 112 and 198; Garl Ledyard, 'Yin and Yang in the China-Manchuria-Korea Triangle,' in Morris Rossabi, ed., *China Among Equals* (Berkeley: University of California Press, 1983), pp. 313-353. For the role of history in studies defending China, see Chapter 2, in Gerald Segal, *Defending China* (Oxford: Oxford University Press, 1985).
- (6) Owen Lattimore, *Inner Asian Frontiers of China* (London: Oxford University Press, 1940), ch.2; Arthur Waldron, *The Great Wall of China: From History to Myth* (Cambridge: Cambridge University Press, 1990), pp. 30-31.
- (7) One of the most succinct descriptions of the origins of the "Han" can be found in Wolfram Eberhard, *A History of China*, 4th Rev., ed., (Berkeley: University of California Press, 1967), pp. 4-12; Lien-sheng Yang, "Historical Notes on the Chinese World Order," in John King Fairbank, ed., *The Chinese World Order* (Cambridge, Mass.: Harvard University Press), p. 27.
- (8) Gregory Henderson, *Korea the Politics of the Vortex* (Cambridge, Mass.: Harvard University Press, 1968), pp. 13-18.
- (9) Han Woo-Keun, *The History of Korea* (Seoul: Eul-Yoo Publishing Company, 1971), p. 125.
- (10) Grover Clark, *The Great Wall Crumbles* (New York: The Macmillan Company, 1935); C. P. Fitzgerald, *The Chinese View of their Place in the World* (London: Oxford University Press, 1964); Arthur Waldron, *The Great Wall of China: From History to Myth* (Cambridge: Cambridge University Press, 1990).
- (11) Rae-hyeun Yoon, *Hankuk Sha [A History of Korea]* (Seoul: Tongnamusa, 1988), p. 12; 'Jungkukul wonsisidae [The Origin of Chinese History],' in *Haksulchulise* [Academic Studies at Dankuk University], no.7, 1982, pp. 516; *Hankuk Ilbo*, February 16, 1988, p. 8.
- (12) Beijing Foreign Language College, ed., *Han-ying ci-dian [A Chinese-English Dictionary]* (Beijing, China: Shang-wu yin-shu-guan, 1986); Zheng yunshan and Zang weilong, ed., *Zhong-wai-shu-di-jt-shi-shuo-zhu [The Handbook of Geography in China and foreign countries]* (Shanghai, China: Ren-min-chu-ban-she, 1984).
- (13) Quoted from Donald S. Zagoria, 'The Sino-Soviet conflict and the Korean peninsula,' in Asiatic Research Centre, ed., *Triangular Relations of Mainland China, the Soviet Union and North Korea* (Seoul: Korea University, 1977), p. 143.
- (14) Quoted in Frederick Foo Chien, *The Opening of Korea*, p. 16. According to Chien, the origin of this statement by China's Foreign Office (Tsung-li Yamen) is probably to be found in answers the Foreign Office gave to Minister Williams of the United States and Minister Rutherford Alcock of England regarding their request for the Foreign Office to ask Korea why the national of their two countries had been mistreated.



- (15) Chun-tu Hsueh, 'Korea in China's foreign policy,' in Chun-tu Hsueh, ed., *Dimensions of China's Foreign Relations* (New York: Praeger, 1977), p. 127.
- (16) Japan adopted this policy for two reasons: 1) to secure Korean manpower for its imperialist ambitions in Manchuria and 2) to take over farmland in Korea. See Park Yong-sok, *Hanminryok tongnip undongsa yongu* [A Study of the History of the Korean People's Independence Movement] (Seoul: Ilchogak, 1982), p. 78. For the Chosen minority in China, see Chae-Jin Lee, *China's Korean Minority: The Politics of Ethnic Education* (London: Westview Press, 1986).
- (17) Dae-Sook Suh, *The Korean Communist Movement, 1918-1948* (Princeton: Princeton University Press, 1967), pp. 216-220; Robert A. Scalapino and Chong-Sik Lee, *Communism in Korea* (Berkeley: University of California Press, 1972), pp. 235-236; George M. McCune and Arthur L. Grey, *Korea Today* (Cambridge, Mass.: Harvard University Press, 1950), pp. 11-13.
- (18) For the NEAJUA, see Zhou Erfu, *Songhuaqiang shangde fengyun* [Events along the Sungari River] (Hong Kong: Zhongguo chubanshe, 1947), pp. 29-34; Dae-Sook Suh, *The Korean Communist Movement, 1918-1948*, pp. 69-70; Andrew C. Nahm, *Korea: Transition & Transformation* (Seoul: Hollym, 1988), pp. 267-281.
- (19) Edgar Snow, *Red Star Over China*, Revised & Enlarged Edition (Middlesex, England: Penguin, 1978), pp. 505-506.
- (20) Daine S. Clemens, *Yalta* (Oxford: Oxford University Press, 1970). For a recent debate, see Erik Van Ree, *Socialism in one Zone: Stalin's policy in Korea: 1945-1947* (Oxford: BERG, 1989).
- (21) Soon Sung Cho, *Korea in World Politics, 1940-1950: An Evaluation of American Responsibility* (Berkeley and Los Angeles: University of California Press, 1967).
- (22) There are perhaps no ideological reasons why they remained in China. However, there are several reasons; those who had their sources of livelihood in China and therefore decided to stay in China; those who wished to leave, but could not; and those who made no conscious decision, but hesitated to take any action because of inertia or misunderstanding; those who were attracted to the CCP's promises to redistribute farmland to tillers and to guarantee ethnic equality. See Chae-Jin Lee, *China's Korean Minority: The Politics of Ethnic Education*, pp. 51-52.
- (23) *The Times*, July 27, 1949; Hak-Joon Kim, 'China's Non-Involvement in the Origins of the Korean War: A Critical Reassessment of the Traditionalist and Revisionist Literature,' in James Cotton and Ian Neary, *The Korean War in History* (Manchester, England: Manchester University Press, 1989); George M. McCune, *Korea Today*, pp. 4-5.
- (24) Jon Halliday and Bruce Cumings, *Korea: the Unknown War* (Viking: Pantheon, 1988).
- (25) Quoted from Allen S. Whiting, *China Crosses the Yalu: The decision to enter the Korean War* (Stanford: Stanford University Press, 1960), p. 31. Bruce Cumings, *Child of Conflict: The Korean-American Relationship, 1943-1953* (Seattle: Washington University Press, 1983), p. 39; Bruce Cumings, *The Origins of the Korean War: Liberation & the Emergence of Separate Regimes, 1945-1947* (Princeton, New Jersey: Princeton University Press, 1981), p. 287; Robert A. Scalapino and Chong-sik Lee, *Communism in Korea*, pp. 273-288, 299-311. For a failure of the land reform, see Henderson, *Korea: The Politics of the Vortex*, p. 156; W.D. Reeve, *The Republic of Korea*, pp. 105-106; Melvin Gurtov and Byong-Moo Hwang, *China Under Threat: The Politics of Struggle and Diplomacy* (London: The Johns Hopkins University Press, 1980), p. 216; W. D. Reeve, *The Republic of Korea: A Political and Economic Study* (London: Oxford University Press, 1963), p. 32.
- (26) *The People's Daily* (Remin ribao), 14 November, 1949, p. 2.
- (27) For a detailed discussion on this subject, see Kim Chang-sun, *Puk-han sip-o-nyon sa* [Fifteen Year History of North Korea] (Seoul: Chimgungak, 1961), pp. 92-96.



- (28) Republic of Korea, Ministry of Foreign Affairs, *Han-guk oe-gyoul t-sim-nyon* [Twenty Years of South Korean Diplomacy] (Seoul, Korea: Oemu-bu, Oe-gyo Yongu-won [The Institute of Foreign Affairs and National Security], 1979), pp. 34-35.
- (29) US, Department of State, *North Korea: A Case of Study in the Techniques of Takeover*, Department of State Publication 7119, Far Eastern Series, no. 103 (Washington, D.C.: US Government Printing Office, 1961), pp. 115-116.
- (30) For traditionalist's view, see Kim Chum Kon, *Hankuk Churjeong-sa* [The Korean War] (Seoul: Kwangmyong Publishing, 1973), pp. 59-61; David Rees, *Korea: The limited War* (New York: St. Martin's Press, 1964); Bruce Cumings, *The Origins of the Korean War and Child of Conflict*; Joseph C. Goulden, *Korea: The Untold Story of the War* (New York, N.Y.: Times Books, 1982); James Cotton and Ian Neary, *The Korean War in History*. For revisionist's point, see Allen Whiting, *China Cross the Yalu*; Melvin Gurtov and Byoong-Moo Hwang, *China Under Threat*; Gerald Segal, *Defending China*; Hak-Joon Kim, 'China's Non-involvement in the Origin of the Korean War,' in James Cotton and Ian Neary, ed., *The Korean War in History*.
- (31) Quoted from Kim Chang-soon, *Pu-han sip-o-nyon sa*, p. 58.
- (32) S.Korea's Defence Minister Sung-Mo Shin stated "If we had our own way, we would, I'm sure, have started up already. But we had to wait until they (the Americans) are ready." Furthermore, one of the most anti-communist military officers asserted that "If we are trying to recapture the North, we will have our breakfast in Haeju and have our lunch in Pyongyang. Finally, we will enjoy our dinner in Shinuju." See *Dong-a Ilbo*, 12 October 1949, p. 2. For a discussion of allegations that S.Korea provoked the war by its attack on Haeju (a strategic position five kilometres north of the 38th Parallel) on 25 June, 1950, see Karunakar Gupta, 'How Did the Korean War Begin?' *The China Quarterly*, (Hereafter CQ), no.52, 1972; John Gittings, 'The War Before Vietnam,' Gavan McCormack and Mark Selden, ed., *Korea North and South: The Deepening Crisis* (London: Monthly Review Press, 1978), p. 63; Robert R. Simmons, *The Strained Alliance: Peking, Pyongyang, Moscow and the Politics of the Korean Civil War* (New York: Free Press, 1975), pp. 110-115; Bruce Cumings, *Child of Conflict*, p. 28.
- (33) Simon Long, *Taiwan: China's Last Frontier* (London: Macmillan, 1991), p. 115.
- (34) Panikkar had always been pro-Peking and could not be viewed as an impartial observer but should rather be considered as a Communist Chinese propagandist, see Ok-joon Kim, '*Jonggong ul Hankukchurjongkaetpkaeljungkoa Yoin Pusuk* [The Implications of the Chinese Intervention of the Korean War]', (Unpublished, MA Diss., Seoul: Korea University, 1985), p. 67. Margaret Carlyle, ed., Royal Institute of International Affairs (Hereafter RIIA), *Documents on International Affairs, 1949-1950*, pp. 663-664; K.M. Panikkar, *In two Chinas* (London: George Allen and Unwin, 1955), pp. 108, 109-110.
- (35) *Shi-jie zhi-shi* [World knowledge], August 26, 1950, as cited in Allen S. Whiting, *China Crosses the Yalu*, pp. 84-85.
- (36) Allen S. Whiting, *China Crosses the Yalu*, pp. 68-71; Gerald Segal, *Defending China*, p. 100.
- (37) For the text of Zhou's report, see *Zhou Enlai xuanji* [Selected works of Zhou Enlai], vol.2 (Peking: People's Publishing House, 1984), pp. 50-54.
- (38) I.F. Stone, *The Hidden History of the Korean War* (New York: Monthly Review Press, 1969); Hwang Byong-Moo, *Misperception & The Origin of the Korean War* (Seoul: Kyungnam University Press, 1986); Richard Whelan, *Drawing the line: The Korean War* (London: Little, Brown and Company, 1990).
- (39) Gerald Segal, *Defending China*, p. 110.
- (40) John Gittings, *The World and China, 1922-1972* (New York: Harper and Row, 1974), p. 183.
- (41) *The People's Daily*, (Renmin Ribao), June 25, 1951, p. 1.



- (42) Hao Yufan and Zhai Zhihai, 'China's Decision to enter the Korean War: History Revisited,' *CQ*, no.121, March 1990, p. 114.
- (43) Mao Tse-tung [Mao Zedong], 'Our Great Victory in the War to resist U.S. Aggression and Aid Korea and Our Future Tasks,' September 12, 1953, in *Selected Works of Mao Tse-tung*, vol.5 (Peking: Foreign Languages Press, 1977), pp. 117-118.
- (44) For a full text of US-ROK mutual defence treaty, October 1, 1953 and Chinese-N.Korean treaty of alliance, July 11, 1961, see Harold C. Hinton, *Korea under New leadership: The Fifth Republic* (New York: Praeger, 1983).
- (45) J.D. Armstrong, *Revolutionary Diplomacy: Chinese Foreign Policy and the United Front Doctrine* (Berkeley: University of California Press, 1977), pp. 11-12; Jean-Luc Domenach, "Ideological Reform," in Gerald Segal, *Chinese Politics and Foreign Policy Reform* (London: Kegan Paul International for RIA, 1990), pp. 26-27.
- (46) Charles K. Armstrong, 'South Korea's Northern Policy,' *The Pacific Review*, vol.3, no.1, 1990, p. 35.
- (47) Ronald C. Keith, *Diplomacy of Zhou Enlai* (London: Macmillan, 1989), p. 61.
- (48) Republic of Korea, Ministry of Foreign Affairs, *Hanguk oegyo ul ismnyon* [Twenty Years of South Korean Diplomacy], pp. 34-36.
- (49) *Dong-a Ilbo*, 27 November, 1953, p. 1; RIA, *Survey of International Affairs*, 1953 (London: Oxford University Press for RIA, 1954), p. 25; W.D. Reeve, *The Republic of Korea: A Political and Economic Study*, p. 60.
- (50) Kuo-kang Shao, 'Zhou Enlai's Diplomacy and the Neutralisation of Indo-China, 1954-1955,' *CQ*, no.107, September, 1986, p. 483-504.
- (51) A Doak Barnett, *Communist China and Asia: Challenge to American Policy* (New York: Harper & Brothers for the Council on Foreign Relations, 1960), pp. 287-290.
- (52) Chin O. Chung, *Pyongyang between Peking and Moscow: North Koreans Involvement in the Sino-Soviet Dispute, 1958-1978* (University, Alabama: The University of Alabama Press, 1978), especially, ch 1 & 2.
- (53) When Major-General Park Chung Hee took control in S.Korea on 16 May 1961, he immediately announced his government's anti-Communist position and pro-American policy. It promulgated the "Anti-Communist Law." Han-Kyo Kim, ed., *Reunification of Korea: 50 basic Documents* (Washington, D.C.: Institute for Asian Studies, 1972), p. 49. For the full text of "Six Revolutionary Pledges," see *Dong-a Ilbo*, May 17, 1961, p. 2; Chung Hee Park, *Kukga ul Kil: Minkokjoonghung kua Kukga Keonseol* [Our Nations Path: Ideology of Social Reconstruction] (Seoul, Korea: Dong-A Publishing Co., 1962), p. 164.
- (54) *Dong-a Ilbo*, August 23, 1961, p. 1; Republic of Korea, Ministry of Affairs, *Hanguk oegyo ul ismnyon* [Twenty Years of South Korean Diplomacy], pp. 40-41.
- (55) Harold C. Hinton, 'Chinese Policy Towards Korea,' in Young C. Kim, ed., *Major Powers and Korea* (Silver Spring, Maryland: Research Institute on Korean Affairs, 1973), p. 19; Robert A. Scalapino, *The Politics of Development: Perspectives on Twentieth-Century Asia* (London: Harvard University Press, 1989), pp. 54-55.
- (56) James Cotton, 'Sino-Soviet Relations and Korea,' *The Pacific Review*, vol.1, no.3, 1988, p. 296.
- (57) *Major Speeches by Korea's Park Chung Hee* (Seoul, Korea: Hollym Corp., 1970), p. 238.
- (58) Ha-yong Kim, *Chunggongchongchiron* [Chinese Politics and Foreign Policy] (Seoul: Pakyong-sa, 1985), p. 374.
- (59) Harry Gelber, *Nuclear Weapons and Chinese policy*, P. 36; William Bunge, *Nuclear War Atlas* (Oxford: Basil Blackwell, 1988), p. 40; the editorial Commentary in *Hankuk Ilbo*, 16 November 1966, p. 1.
- (60) "Self-reliant Defense and Economic Construction," press conference on January 10, 1969, in *Major Speeches by Koreans Park Chung Hee*, p. 212.



- (61) This meeting was attended by delegates from nine nations--Australia, Taiwan, Japan, S.Korea, Malaysia, New Zealand, the Philippines, Thailand, Vietnam, and an observer from Laos. See Tong-Won Lee, 'ASPAC, A Dynamic for Regional Co-operation,' *Korean Quarterly*, Winter, 1968-1969, pp. 359-367; Seung-Hugn Rhee, 'Achievements of the ASPAC Ministerial Meeting in Seoul: Prospects of the Asian and Pacific Community,' George P. Jan, *International Politics of Asia* (Belmont, Calif.: Wadsworth Publishing Co., 1969), pp. 350-362.
- (62) Jong-chun Baek, *Probe for Korean Reunification: Conflict and Security* (Seoul: Research Centre for Peace and Unification of Korea, 1988), p. 182; Rinn-sup Shinn, 'Foreign and reunification policies,' *Problems of Communism*, January-February 1973, pp. 12-61.
- (63) Yongkil Chung, 'Puk-hanul Dae-chung-kong mik Sol-yon Oye-kyo,' [North Korean policy towards China and the Soviet Union], *An-bo-yon-gu* [Security study], 10, 1978, p. 34.
- (64) Republic of Korea, Ministry of Foreign Affairs, *Han-guk oe-gyo sam-sib-nyon, 1948-1978* (Seoul: Oemu-bu Oe-gyo Yon-gu-won, 1979).
- (65) US Congress, House of Representatives, the Subcommittee on International Organizations, *Investigation of Koreans-American Relations*, Part 4, 95th Congress, 1st Sess., June 22, 1977 (Washington, D.C.: US Government Printing Office, 1977), p. 37; Soon Sung Cho, 'North and South Korea: Stepped-up aggression and the search for new security,' *Asian Survey* (Hereafter AS), vol.9, no.1, January 1969, p. 30.
- (66) Republic of Korea, Secretariat, Office of the President, *Hanguk Kyongje ul ojewanul* (Seoul: Secretariat, Office of president, 1975), p. 347; *Korean Annual* (Hereafter KA), 1977 (Seoul: Hapdong News Agency, 1977), p. 110.
- (67) Quoted from US Senate, 'United States Security Agreements and Commitments Abroad,' *Hearings Before the Committee on Foreign Relations*, 91st Congress (Washington, D.C.: US Government Printing Office, 1971), p. 1651.
- (68) *The Economist*, July 19, 1969, p. 38.
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## **CHAPTER TWO: CAUTIOUS RESPONSES. 1971-NOVEMBER 1978**

During this period the dogmatism which had heretofore characterised relations between China and S.Korea was abandoned in favour of a pragmatic approach more in line with actual national interests. A number of factors need to be considered in order to explain this change. Even though China and S.Korea still remained hostile - for S.Korea, Taiwan had always been the sole legitimate government of China, for the PRC, N.Korea represented the whole Korean peninsula after the still simmering Cold War - ideological barriers to foreign relations between China and S.Korea were being lowered. From this time hostile attitudes showed signs of thawing, following on from Sino-US *rapprochement*.

Moreover, since the early 1970's foreign policy adopted by the S.Korean government allowed greater flexibility in the choice of trading partners, leading to secret trade initiatives with China. This took the form of indirect secret trade despite the fact that trade between Peking and Seoul was officially non-existent up to 1978. They clearly regarded each other as future economic partners.

### **2.1 Politico-Strategic Relations**

When Chinese and American interests in the Korean peninsula began for the first time to coincide in the early 1970's, this changing context affected S.Korea's ideology-oriented foreign policy that had previously precluded improved relations with China. Since neither country wished either of the two Koreas to establish hegemony over the peninsula, this had repercussions in relations between China and S.Korea. They made significant headway towards the opening of closer relationships; seeking to ensure their national security and, to some extent, to maximise control over their own fates. Even though there was disagreement on the cause of tension and the means of alleviating it, the demand for change in both



China and S.Korea made the leaders evaluate the advantages of the road to reconciliation.

### **The Changing Perception of Security in Northeast Asia**

The beginning of the 1970's was the age of *Realpolitik*. It was thought that the polarisation of the post-World-War-II era, characterised by American and Soviet domination, had drawn to a close. Instead, there emerged a balance of power among the four major players in Northeast Asia--the US, Japan, China, and the USSR. This created a system of limited, rather than total security of any one state in the region. In particular the diffusion of power in Northeast Asia was due to; 1) the relative decline of the US in Asia and the rise of the USSR as a military power; 2) the rise of Japan's vast economic power as the basis for renewed military capability and their burgeoning influence on Korea; 3) the ending of China's isolation, which propagated her regional influence in Northeast Asia(1).

By the early 1970's, Peking had begun to place greater reliance on diplomatic persuasion to compensate for the yawning gap between its theoretical perception of international relations and the actual reality of world affairs(2). Beginning in the early 1970's, the effective direction of foreign policy-making passed from Mao and Lin Biao (leftist leaders who distrusted relations with the non-Communist world and sought China's self-sufficiency) to Premier Zhou En-lai and Deng Xiaoping. These more moderate leaders were patient and pragmatic, and were prepared to deal with capitalist countries in order to cope with the problems caused by the Great Leap Forward and the Great Proletarian Cultural Revolution(3). The reassessment in China's perception of the international situation was to a significant extent the result of the emerging moderate leadership. According to Immanuel C.Y. Hsu, the Mao-Zhou Diplomatic Grand Design was the only governing principle of foreign policy(4). The desire for a *de facto* peaceful environment was highly efficacious in



that it greatly enhanced China's international status, winning her a permanent seat in the UN, as a great power.

Thus Peking appeared to have lost its bid for ideological leadership of the Socialist bloc. China's growing accessibility to the outside world in the early 1970's was motivated primarily by strategic concern about the USSR(5).

In these circumstances, as throughout Korea's history, S.Korea had ample reason to fear a moderate degree of conflict or competition among the major powers. A prominent strategist on S.Korea pointed out that her leaders pictured threats to national security in terms of a breakdown of the international balance of power. Dramatic changes among the major powers of Northeast Asia were bound to have a profound impact on S.Korea's national security(6). Thus, S.Korea was deeply suspicious of the viability of *detente* in Northeast Asia(7). For example, President Park Chung Hee was worried about the hazards of "the games that big powers play" and "yesterday's adversary can be today's friend, and today's enemy can become tomorrow's negotiating partner". He pointed out that *detente* had set in motion a process of "prodigious change in the existing power balance among the big powers surrounding the Korean peninsula," and such change was likely to seriously undermine S.Korea's national security:

"A multipolar world is certainly not a simple international environment. Unlike the Cold War days when dependence on the power of an ally was possible, we now have only ourselves to rely on, and at the same time we must carefully watch the moves of the United States, Japan, China, the Soviet Union, and many other countries as well. This requires a high level of adaptability and creativity"(8).

S.Korea was startled by the contents of the resulting Shanghai *Communique* of February 28, 1972, and even more so by the normalisation of relations between China and Japan in September 1972, which represented the culmination of Tokyo's commercial approach towards China Peking after the signing of the first unofficial

trade agreement in June 1952. Furthermore, S.Korea regarded Nixon as one of the most militant anti-communist leaders of the 1950's, and as an ardent supporter of the Cold War policy during the 1960's. It became doubtful whether S.Korea could sustain the same anti-communist stance that had been characteristic of her rigid policies during the 1950's and 1960's(9). When the hostility between China and the US showed signs of thawing in the early 1970's, as a result of Nixon's Peking visit, S.Korean leaders felt that the international situation was similar to that of the early 19th century. It led many Koreans to remember that, in the Taft-Katsura Memorandum, America had given consent for the Japanese seizure of Korea in exchange for the Philippines, and that the US had refused to help Korea preserve her independence(10). Moreover, as Morton Abramowitz described it "not all of these changes are a function of events in Korea but they all intimately affect Korea"(11).

Likewise, when the Nixon Doctrine, the so-called "You're on your own but do it my way" principle, was expressed as an intention to pull US troops out of S.Korea, the S.Korean leadership was troubled(12). Although the US's and China's concern over Korea was reflected in the *Shanghai Communique* issued by President Nixon and Premier Zhou En-Lai on 28 February 1972, the S.Korean leaders were disturbed by the ambiguous phrasing of clauses relating to the Korean problem(13). There were two relevant statements. The Chinese declared:

"China firmly supports the eight-point programme for the peaceful unification of Korea put forward by the Government of the Democratic People's Republic of Korea on April 12, 1971, and the stand for the abolition of the "U.N. Commission for the Unification and Rehabilitation of Korea."

The US declared:

"The United States will maintain its close ties with and support for the Republic of Korea; the United States will support efforts of the Republic of Korea to seek a relaxation of tension and increased communication in the Korean peninsula"(14).



Lee Dong Won, chairman of S. Korea's National Assembly's Foreign Affairs Committee stated in February 1972: "We are afraid that there might be some tacit agreements in the US-China summit talks that were not officially revealed"(15). The anxiety of losing allied support, and the fear of great power collusion, compelled S.Korea to consider whether--as was widely felt, though generally unstated--her foreign policy had been a failure(16). In effect, the early 1970's witnessed significant security changes in the international system, prompting S.Korea to realise that its primary foreign policy objective was rooted not in ideology, but in perceived national interest.

S.Korea was uncertain whether to deliberately end the era of hostile confrontation with China and go on to develop a new stage of reconciliation. Recognising that the old diplomacy was outmoded, S.Korea began to seek low-cost, low-risk relations with China.

### **A Turn Towards Change**

The first signs of change in S.Korea's attitude towards China were seen in the process of foreign policy making. S.Korea's bureaucratic-authoritarian system had made long-lasting imprints upon her own foreign policy. The decision-making process had become highly personalised and totally dominated by the president. Information and ideas concerning foreign policy would flow only vertically. Usually, only a handful of institutions with strategic access to the president played any significant role. They included the National Security Planning Agency (Hereafter NSPA formerly the Korean Central Intelligence Agency, KCIA) and top personnel in the presidential secretariat. Even the Ministry of Foreign Affairs lacked the power to formulate important foreign policies. Instead, its role was often downgraded to one of doing paper work for the decisions made at the presidential Blue House.



The initial changes in foreign policy making came in January 1971. This occurred, according to Youngnok Koo, as a result of the American initiative of July 21, 1969 which relaxed restrictions on travel to and trade with the PRC. Awareness of the PRC's role in the region as the *status quo* power prompted S.Korea's leadership to set up a study group in January 1971 (the Institute of Foreign Affairs, now the Institute of Foreign Affairs and National Security), which was affiliated to the Ministry of Foreign Affairs (Hereafter MOFA). The resulting report was entitled "The Impact of Communist China's Emergence in the World Arena on Korea's Policy"(17). This study group recommended the S.Korean leadership to adopt a flexible position towards the PRC and to modify its UN-centred policy. It was exceptional in that independent scholars and specialists took part in foreign policy formulation; most of S.Korea's foreign policies having previously been managed by the staff of the presidential office, together with a few scholars chosen by the government(18).

President Park announced at a New Year's news conference in 1971 that S.Korea would willingly improve relations with those "non-hostile" communist countries who recognised the sovereignty of S.Korea, and who stopped aid to N.Korea(19). This led S.Korea into extensive contact with communist countries, mainly in Eastern Europe. In September of that year a "semi-governmental delegation", led by the president of the Korea Trade Promotion Corporation (Hereafter KOTRA), visited Yugoslavia and Rumania; the first time that S.Korean citizens had visited a Communist country with government approval(20).

After the PRC's admission to the UN Security Council in October 1971, S.Korean leaders had recognized that their fixed position on Korean questions in the UN General Assembly might not be tenable in the future(21). The decreasing support for the UN objective in Korea, and the dissolution of the United Nations Commission for the Unification and Rehabilitation of Korea (Hereafter UNCURK), forced S.Korea

to acquire a new image of China. For example, the PRC's pro-N.Korea stance on the Korean question was clearly reflected in the voting pattern of the UN General Assembly. Thus a resolution endorsing S.Korea's stance got only 53.0% of the UN vote in 1972, compared with 57.1% for a similar resolution in 1969(22).

During Nixon's visit to Peking he granted concessions on the Taiwan issue which influenced S.Korea to show a greater flexibility in policy towards China. American *rapprochement* with China left S.Korea as one of the few states of any importance still maintaining diplomatic relations with Taiwan, and she wanted to avoid sharing the same fate as Taiwan. Furthermore, Sino-American *rapprochement* showed that China had committed herself to maintaining a peaceful international environment, and the PRC was no longer considered by the UN as the aggressor, in particular in the Korean War(23). As long as UNCURK existed, and the UN resolution branding the PRC as an aggressor stood, Peking felt a disgrace which would be taken away only by the dissolution of UNCURK. China's Foreign Minister Qiao Guan-Hua said to the General Assembly on 15 November 1971:

The Chinese Government and People..., firmly support [North Korea's] just demand that all the illegal resolutions adopted by the United Nations on the Korean questions be annulled, and the United Nations Commission for the Unification and Rehabilitation of Korea be dissolved(24).

President Park hinted at a change of principle in foreign policy in May 1972, stating "We will give a cooperative hand to any country to cultivate world peace on the basis of equality and reciprocity, unless they are aggressive, even if their social structures are different from ours"(25). This was the first public declaration that Seoul would no longer stick to the Hallstein Doctrine, thus allowing the possibility of enhanced relations with China. Subsequently, S.Korea revised its guide-lines for diplomats, ordering them to pursue overt improvements with non-hostile communist countries, in preparation for further international developments(26).



Almost simultaneously, at the 7th ministerial meeting in Seoul in June 1972, Australia and members of the Association of Southeast Asian Nations (Hereafter ASEAN), S.Korean allies in the Vietnam War, expressed a general willingness to establish a new non-political all-Asian regional body to replace the obsolete anti-communism-preoccupied ASPAC. This move forward by Foreign Minister Kim Young Shik was a complete break with S.Korea's traditional policy towards communist countries(27).

The Sino-American *rapprochement* gave China a stronger position in the region and S.Korea became aware that the Chinese perception of their mutual relationship was changing(28). It seems that the Chinese leaders regarded improved relations with S.Korea as a necessary by-product of the Sino-American *rapprochement* if they were to achieve a reduction of tensions with other former adversaries. During his visit to Peking in 1972, President Nixon disclaimed any intention of threatening China. In response, the Chinese leaders assured him, "Neither do we threaten Japan nor S.Korea"(29). The Chinese began to take a position which demonstrated both moderation and flexibility towards S.Korea. For example, when the South and North Korean governments declared a joint communique on July 4, 1972, the Chinese government was prompt in endorsing it, calling the outcome "a good beginning"(30). Peking expressed "enthusiastic welcome" for the declaration, and thereafter added "independent" to their formulas for the Korean question, as well as modifying their standard formula used in all comments and editorials to "peaceful unification"(31).

### **Seoul's Declaration of Openness**

For S.Korea to approach China in the same manner as the US did in 1971 S.Korea needed to officially change her stance towards China. In the "June 23rd Declaration" of 1973 President Park expressed a readiness to reduce tensions with socialist countries, specifically with China. He declared a willingness to trade with



any friendly communist country, vowing to end the era of confrontation and hostilities between S.Korea and Communist countries. He made clear the change in foreign policy towards communist countries when he declared a "Special statement regarding foreign policy for peace and unification." Two of the seven points contained in the special statement were the following:

6. The ROK will open its door to all the nations of the world on the basis of the principles of reciprocity and equality. At the same time, we urge those countries whose ideologies and social institutions are different from ours to open their doors likewise to us.

7. Peace and good-neighbourliness are the firm bases of the foreign policy of the ROK. It is reaffirmed that we will continue to further strengthen the ties of friendship existing between friendly nations and our country(32).

The S.Korean declaration was intended to impress both the Chinese leaders and its own domestic populace, who required psychological reassurance. The time was ripe for a sea change in S.Korean attitudes towards China, and the declaration was a most effective means to express this need.

Prior to the declaration, there had been few people in S.Korea with specialist knowledge of the PRC, but now many people were able to learn much more about that country. Before this, any practical debate relating to the PRC, except at the academic level, was taboo in S.Korean politics. Now, channels of communication with the PRC, both within society and in governmental departments, were to be widened. For instance, the S.Korean press became increasingly favourable during 1972, when covering China. One of the popular newspapers, Hankuk Ilbo, carried eight articles relevant to communist countries in July in contrast to one article in July the previous year(33). The S.Korean papers even ceased publishing only negative or critical articles and editorials about the PRC, and carried straight news reports. It reflected a reappraisal of the nature of relations between China and S.Korea.

Likewise in Chinese articles on S.Korea, the response to S.Korea's declaration of openness on June 23, 1973 was clearly positive, although they began by referring to the "Park Chung-hee puppet regime of American imperialism in Asia" and "a country of oppressive military-bureaucratic dictatorship", before progressing to the "S.Korean authorities"(34). S.Korea's open door policy of 1973, in the wake of Sino-American *rapprochement* permitted the possibility of a thaw in Chinese\S.Korean relations. It was apparent that both China and S.Korea were doing their best to encourage the improvement of relations.

### **Cooperation and Possible Conflict**

When disputes between China and S.Korea arose both countries showed a willingness to negotiate by an informal, voluntary, and conciliatory procedure.

For example sensitive disputes arose between China and S.Korea relating to overlapping claims for off-shore oil and fisheries. The resolution of these issues demonstrated their common desire to avoid a climate likely to cause political conflict between their countries.

S.Korea has long been captivated by dreams of off-shore oil development. For S.Korea, self-sufficiency in energy resources would not only have an immediate economic advantage but would also contribute to its larger political, psychological, and military struggles against N.Korea. S.Korea, therefore, from the late 1960's, began to develop off-shore oil resources by granting concession to foreign companies such as Gulf, Shell and Texaco.

At first, China made little effort to interfere with the seismic survey ships that crossed the Yellow Sea. But from 1971, survey and drilling operations in the Yellow Sea were complicated by jurisdictional conflicts with China. China conveyed its



displeasure over the boundaries set by S.Korea by sending lightly armed fishing vessels into the vicinity of the survey operations(35).

Legislation governing sea boundaries concerned in S.Korean concessions to Western oilmen sowed the seeds of trouble by invoking different principles of international law in the Sea of Japan, the Korean Strait, and the Yellow Sea. S.Korea utilised the natural-prolongation principle, which treats the continental shelf as an extension of the continent belonging to the country concerned; concessions were based on an equitable boundary delimitation and a hypothetical median line. China also proclaimed the principle of natural-prolongation in the Yellow Sea, but used it to claim the entire continental shelf as a natural extension of the Chinese land territory(36).

As the survey work grew more intense, Chinese naval vessels began to harass survey vessels operating relatively far from the S.Korean coast in a potentially disputed middle zone of the Yellow Sea. China viewed Seoul as acting provocatively in allocating concessions "unilaterally" without first reaching a boundary agreement with Peking. In March 1973, Seoul offered to hold talks with "the authorities of the People's Republic of China" on the question of the delimitation of the continental shelf areas between them. This was the first time that S.Korean government called China by its official name in public(37).

China maintained a stern silence, however, charging that Japan and S.Korea had violated Chinese rights under international law. For these and other technical reasons, Gulf terminated its drilling in Zone II in the Yellow Sea between China and S.Korea, stating that the controversy over sovereignty was not settled. America encouraged the oil company to give up further seismic drilling to avoid damaging relations with China, and had done so with S.Korea's tacit acquiescence(38). In fact, the conflict of claims seems to have been a major consideration in S.Korea's



abandonment of its decision to continue exploratory drilling in the Yellow Sea and the East China Sea.

In addition to the Yellow Sea, another possible locale for China-S.Korea controversies was the Joint Development Zone (Hereafter JDZ) covered by the Continental Shelf Agreements between Japan and S.Korea (signed on January 30, 1974, but not ratified by Japan until the summer of 1977). On March 16, 1973, Seoul had offered to hold talks with China on the question of delimitation of the continental shelf areas between China and S.Korea. At first they referred to one another by semi-official national names. But then when the S.Korean government began to refer to the official name of the People's Republic of China (*Jung-Hwa-In-Min-Kung-Hwa-Kuk* in Korean) instead of Communist China (*Jung-Koung* in Korean), China, in turn, referred to the "S.Korean authorities", instead of the "Park Chung-hee puppet regime" or the "puppet government of the US." In the past the Chinese press had always called S.Korea "*Nam-cho-syon*" a derogatory name used by N.Korea whenever reporting on S.Korea(39).

The treaty of 1974 was an attempt to defuse overlapping S.Korean and Japanese off-shore claims, creating a joint commission to organise exploration and production activities of petroleum and natural gas and to implement yet-to-be-devised formulas for sharing costs and revenues. Soon after conclusion of the agreement, however, China alleged that the agreement, made without consultation with China, was illegal and null and void, stating:

The act is an infringement of China's sovereignty, which the Chinese government absolutely cannot accept. If the Japanese government and South Korean authorities arbitrarily carry out development activities in this area, they must bear full responsibility for all the consequences arising therefore.... The Chinese government holds that, according to the principle that the continental shelf is the natural extension of the continent, it stands to reason that the question of how to divide the continental shelf in the East China Sea should be decided by China and the other countries concerned through consultation(40).

The S.Korean government reaffirmed that the areas where exploration and exploitation programmes were being carried out or contemplated were within the Jurisdiction of S.Korea in accordance with international law.

After Japan's ratification of the Agreement in April 1977 both Japan and S.Korea implemented the so-called "special measures act for the implementation of the Japan-S.Korean agreement on the joint development of the continental shelf" in July 1978. The PRC made official protests:

According to the principle that the continental shelf is the natural extension of the continent, the People's Republic of China has inviolable sovereignty over the continental shelf in the East China Sea, and the division of those parts of this continental shelf which involve other countries ought to be decided on through consultations by China and the countries concerned. The unilateral marking off of a so-called Japan-ROK "joint development zone" on the continental shelf in the East China Sea by the Japanese Government and the South Korean authorities through signing behind China's back the "Japan-ROK Agreement on Joint Development of the Continental Shelf" is an infringement of China's sovereignty to which China will never agree (41). (emphasis added)

The vague Chinese claims meant that the conflict between China and S.Korea became a tripartite legal controversy with the advent of the JDZ: The PRC's protests were obviously not addressed to S.Korea alone. Even though the discussions proposed by Seoul failed to materialise, it is clear that China's attitude was much more accommodating than in other disputes of a similar character. Thus the PLA seized the Paracel Islands in the South China Sea from South Vietnam after a brief battle in January 1974, whereas in the S.Korean case the Chinese merely dispatched their naval units to observe procedures in the Yellow Sea(42).

At the same time another more significant and serious point of political dispute arose between China and S.Korea, - the case of fishing in the Yellow Sea and the East China Sea.



Joint sea fisheries provided S.Korea with an opportunity to contact Peking. The Southwest Seaboard of S.Korea and the East China Sea were rich in fish and these waters made important contributions to the output of marine and fresh water aquatic products. When an agreement on Fisheries between Japan and China was made on August 15, 1975, Seoul also expressed a desire to talk on fishery affairs with Peking. S.Korea issued the following statement:

The Government of the Republic of Korea reaffirms the inherent and traditional rights of its nationals to engage in fishing in the Yellow Sea and the East China Sea, and reserves all the rights of the Republic of Korea as a coastal state of the area under international law.

The Government of the Republic of Korea takes this opportunity to state that it is ready to enter into discussions at any time with parties interested in the question of such measures as the conservation of fishery resources and their rational utilisation in the area, the safety of fishing operations, and the relief of distress at sea, in accordance with the established rules of international law(43).

This provided Seoul with an opportunity to communicate and negotiate with regarding national issues under the guise of peaceful resolution of regional issues. In June 1976, when the Chinese departments concerned issued the S.Korean authorities with a serious warning that large numbers of S.Korean fishing boats had intruded into China's territorial waters and regions where fishing was forbidden, sailing recklessly, hampering Chinese fishermen's operations and damaging their fishing gear, S.Korea expressed its willingness to investigate the Chinese charges. When two S.Korean fishing boats were seized by the Chinese, the S.Korean government proposed a conference with China so that their countries might negotiate a fishery treaty(44). Chinese fishing boats had already been permitted to shelter in the islands of Southern Korea in bad weather(45).

Some flexibility was seen in China's attitude towards S.Korea on these issues. However, China had to consider the political and diplomatic implications of its negotiations with S.Korea. In the prevailing political circumstances, China found it

difficult to hold negotiations, for such a move might be interpreted as a recognition of S.Korea. Thus China preferred to leave the delicate issue unresolved provided its interests were not affected in any significant manner.

### **Flexibility in the USSR**

China regarded the Soviet threat as the principal rationale for a *quasi*-alliance with the US. She therefore made a cautious response to S.Korean overtures, rather than being outrightly negative in order to block a Soviet approach over the Korean peninsula. Although confrontation had been replaced by *detente*, with a measurable reduction of tensions in the early 1970's, a notable exception to this general trend was the continuation of Sino-Soviet rivalry in Asia, and in Northeast Asia in particular.

In retrospect, Sino-Soviet rivalry in Korea provided S.Korea with an unexpected benefit. Following the Sino-Soviet border conflict in 1969, N.Korea's aggressive attitudes towards the US caused China some concern. The Chinese suspected that both the seizure of the USS Pueblo in January 1968, and the shooting down of a US Navy EC-121 reconnaissance aircraft over the East Sea (Sea of Japan) in 1969, were joint Soviet-N.Korean ventures. Peking believed that the plane was monitoring the Sino-Soviet border military clashes(46). China showed no indication of support for N.Korean actions, and it posed a dilemma for Peking in her relations with the North(47).

On the other hand, Soviet-N.Korean relations seemed to suggest that the Soviet leaders were unhappy with N.Korea's tilt towards China and were mounting pressure on N.Korea to maintain an equidistant posture. One way of increasing pressure on N.Korea was to create an image of Soviet *rapprochement* with Seoul. In June 1969, at the Conference of International Communist Parties, the USSR invited



all Asian countries to take part in creating an Asian Collective Security System. Whereas Pyongyang remained aloof from Brezhnev's Asian Collective Security Plan, S.Korea was the only Asian country other than Mongolia to support it(48). Moreover Ogor A. Nato, a Russian coach for an Italian soccer team, was allowed to come to Seoul for the first time for an international soccer competition in September 1971(49).

Furthermore, when in June 1973 the Soviet leader Leonid Brezhnev, embarrassed by Sino-American *rapprochement*, said that the USSR would seek the cooperation and friendship of all Asian countries without exception, there were contacts at various levels between Moscow and Seoul(50). The USSR issued a travel pass to the S.Korean producer, Yu Dok-hyong, to participate in the 15th Congress of the International Theatre Association in Moscow in June 13, 1973(51). He was the first S.Korean to visit the USSR on a S.Korean passport. In the field of sport, despite N.Korean protests and a boycott, 38 Korean athletes were invited to take part in the Universiad Athletic Competition, held in Moscow on August, 1973(52).

Two months later two medical doctors attended an international obstetrics and gynaecology seminar(53). In turn, Professor Alexander Aruttunov came to Seoul for an international conference on neuro-surgery in October, 1973. In October 1974, another form of cultural contact took place when books and materials were exchanged between the Lenin National Library in Moscow and the S.Korean National Assembly Library in Seoul(54). Moreover, an official Soviet representative attended a meeting of the Korean Affairs Research Institute in Tokyo, in December 1973, where he discussed Soviet policy in Northeast Asia(55). It was, therefore, not surprising that the S.Korean ambassador to the US, Kim Dong-jo, met with the Soviet ambassador, Anatoly Dobrynin, to discuss political matters involving Korea(56).

China could not ignore these non-political Soviet contacts with S.Korea. She therefore began to deal indirectly with S.Korea through international conference forums, such as the UN. In 1974 S.Korea established postal exchanges and telegraphic links with China. In turn, China allowed the Korean-Chinese in China to exchange letters with their relatives in S.Korea through the International Red Cross. Furthermore, Korea University's Institute of Asiatic Studies sent books to China, and received in return information on which books could be exchanged, as well as copies of the selected poems of Mao Zedong(57). When in November 1974, the Chinese ambassador to the UN discussed the Korean question at the UN political Committee, he used the official title "Republic of Korea"(58). Thus the Chinese perception of the Soviet approach towards S.Korea was instrumental in the decision to forge links with S.Korea.

Meanwhile, S.Korea recognised China's influence in the region and realised the necessity of standing back from its anti-communist policies. The time seemed ripe for the S.Koreans to remove problems between China and themselves. The South Korean ambassador to the US, Dr Hahn Pyong-Choon, clearly expressed his government's willingness to do so in his informal address in New York on June 7, 1974, which was later published in Asian Survey (Hereafter AS), as follows:

When Premier Zhou En-lai set forth certain principles of PRC policy relating to Taiwan, he somehow included the Republic of Korea in the same category as the Republic of China. Thus, he declared that China would not be able to do business with any Japanese (or American) company that did business with either Taiwan or South Korea. But Korea is certainly not a part of China; and we do not understand Peking's perspective in looking at the Republic of Korea and Taiwan as more or less the same(59).

Moreover, returning from his tour of Southeast Asian countries, Kim Yong-sam, president of the opposition New Democratic Party (Hereafter NDP), noted the changing policy towards China of many Asian countries, and proclaimed that he was willing to visit China(60). It was the S.Korean hope that the Chinese would conduct



selective low-key contacts with S.Korea, equivalent to Moscow's approach towards Seoul.

### **The Collapse of South Vietnam and the Approach of the USSR to S.Korea**

The cool relationship between China and S.Korea was relatively unaffected by the collapse of South Vietnam and instability on China's Southeastern fronts. Like China's concern in the Korean War, Vietnam was one of the fronts which China perceived as vulnerable to foreign intervention. The fall of South Vietnam and emergence of a united Vietnam as a strong new regional power in Southeast Asia made China afraid that N.Korea would use the same means to create a "Second Hanoi" as the USSR had done in Vietnam. Moreover, Moscow's military and economic assistance towards Pyongyang concerned Peking because China could not match Russia's aid. China was apprehensive about N.Korea's engaging in military build-ups and provocative activities, such as tunnelling under the DMZ, and aggressive infiltrations by N.Korea from 1974 to 1975(61). In order to counter this trend, Peking attempted to give full support to the N.Korean leaders' contention that Pyongyang represented the whole Korean peninsula as "the sole legal sovereign state of the Korean nations". They therefore opposed the Soviet Asian Collective Security Scheme when Kim Il-sung visited Peking in April 1975(62). Moreover a RMRB editorial commemorating the anniversary of the Korean war on June 25, 1975 stated that China supported N.Korea's reunification policy(63).

After the collapse of South Vietnam the USSR took a number of steps to strengthen its influence; holding military manoeuvres in Asia, and signing, with the Socialist Republic of Vietnam (Hereafter SRV), a treaty of Friendship & Cooperation. In the aftermath of the final victory of the revolutionary forces in Indo-China in 1975, Chinese fears of Soviet expansionism were exacerbated by Moscow's ensuing military build-up in Asia. According to S.Korean intelligence, the Soviet fleet wanted

naval bases at the ports of Nampo and Haeju, on the west coast of N.Korea opposite China, and was even thought to have its eye on possible facilities at the ports of Shinuiju and Youngampo, virtually on the Chinese border, at the very mouth of Yalu River(64).

There were other influences on US-S.Korea relations aside from the fall of South Vietnam which came to a head during the 1970's: the Military Aid Programme ended in 1974, the "Koreagate" scandal which prevented President Carter's plan for the phased withdrawal of the US ground troops, and S.Korea's efforts towards building a nuclear bomb and the US response. As a consequence the support of the US could no longer be taken for granted(65).

S.Korea remained heavily dependent on the US for its national security, and therefore had no choice but to accept the new US-China *status quo*, even to the point of considering the establishment of her own relations with China. The S.Korean government was then seriously considering taking an initiative to help "prevent war and establish peace on the Korean peninsula" by all means. This would involve the convening of an ambassadorial meeting among the two Koreas and the other powers concerned. The S.Korean government hoped that such a contact could lead to fully-fledged negotiations among the four nations - North and South Korea, the US and China(66).

In January 1976 President Park stated that S.Korea was now preparing to meet the N.Korean threat against S.Korea, advocating the concept of self-reliant defence:

Let me now briefly outline the concept of self reliant defence. The forms of armed invasion [by North Korea] can be narrowed down to two: one is that North Korea would stage an attack against South Korea on its own, without outside help, the other is that an attack would be staged with the support of outside forces such as Red China or the Soviet Union. We can imagine either form of invasion. The concept of self-reliant defence that we



are advocating is based on the idea that, in the event of a North Korean Communist attack on us on its own without outside help, we should be able to repel and deter such an attack on our own and on a man-to-man basis without the support of friendly nations, and that we should possess such a defence capability at an early date(67).

When the US Secretary of State Henry Kissinger proposed "Four-Power Talks" on Korea, S.Korea accepted this as saying:

Only when China and N.Korea accept this proposal, will it be possible to achieve a relaxation in Korea as a prerequisite to Korea's peaceful territorial unification, and put an end to "unproductive confrontations over the Korean question in the international community(68).

It was contrast to N.Korea's reaction that Pyongyang rejected this as big power mediation in Korea(69).

Meanwhile S.Korea was laying a path towards peaceful coexistence with China. In November 1975, President Park stated the fundamental aim of sharing human progress and prosperity between S.Korea and China:

In this light, if Communist China should open their doors to us and move towards the establishment of friendly relations for our mutual benefit, in accordance with the principle of equality and reciprocity, we shall respond accordingly and in a positive manner. This is our basic position(70).

S.Korea had been hoping that Peking would use her influence to deter N.Korea from any military venture on the Korean peninsula(71). Many intermediaries had been urged to speak on Seoul's behalf in Peking. In April 1976 President Park dispatched a peace message to Peking through New Zealand's Prime Minister, Robert Muldoon, when he visited China(72). Again in May 1976 when the British Foreign Secretary Anthony Crosland visited China, the S.Korean government asked him to convey the message that they wanted to have informal contact with China. It was confirmed by the Deputy Under-Secretary of State for Foreign and Commonwealth Affairs who visited Seoul to brief S.Korean Foreign Minister Park

Dong-jin on the discussions Crosland had had with Chinese leaders on the Korean question during his visit to Peking(73).

These invitations, however, were unsuccessful. Even though in general Peking simply ignored S.Korea's proposals, the responses were not negative but at their best somewhat encouraging on non-political issues. For example, according to the Communications Ministry, by the end of February 1976 post had been exchanged with 15 communist countries, not including N.Korea and North Vietnam which were both still classified as "hostile." China topped the list, exchanging 7,752 items with S.Korea which accounted for 48% of the total letters and parcels exchanged up to that time compared with the USSR's 1,502 items(74).

On the other hand, increasing contacts between the USSR and S.Korea led China to continue to emphasize N.Korea's geopolitical value in the contest with the Soviet Union. Weight-lifting and wrestling teams from S.Korea competed in Moscow and Minsk in 1975(75). Three S.Korean delegations attended the meeting in Moscow of the World Federation of United Nations Associations in 1975. After this followed a limited number of contacts, mainly cultural, economic, and sporting. The S.Korean press reported these infrequent meetings prominently, using them to support the image of improved S.Korean-Soviet relations(76). For instance, in January, 1975 Park Chung-hoon, chairman of the Korea Trade Association (Hereafter KTA), held a meeting with Soviet officials in New York to discuss the possibility of establishing trade relations between Seoul and Moscow(77). In February, S.Korean Foreign Minister Kim Dong-jo hinted that S.Korean goods were being exported to the USSR through other parties(78). The S.Korean government revealed at this time that the USSR would allow S.Korean goods to pass through Soviet territory. A telegram service between S.Korea and Belorussia and the Ukraine was opened on April 30 1976(79). A study was under way by the S.Korean government seeking ways to make



contact with the Soviet government in order to protect S.Korean fishing rights in waters near Kamchatka as the USSR inclined towards a 200 mile economic zone(80).

It would seem that China was consolidating its relationship with N.Korea so as to ensure that Peking would play a role in any political settlement on the Korean peninsula. China had been supplying Pyongyang with oil at a special price, to the extent of 18,000 barrels a day in 1975, and assured the N.Koreans of their absolute opposition to any "Two Koreas" formula(81). For example, a map of the world published in a Chinese magazine ignores even the division of Korea, designating the entire peninsula as N.Korea. Neither the 38th parallel nor the DMZ is shown(82). On the anniversary of the signing of the PRC-N.Korea treaty of friendship, co-operation and mutual assistance, 11 July 1976, RMRB referred to the relations with N.Korea as "a great, everlasting friendship"(83). S.Korea's attempts to open a direct dialogue with China had apparently been received with little enthusiasm by the Chinese, presumably because of Peking's desire not to lose Pyongyang in the contest with the Soviet Union on the Korean peninsula.

### **The Post-Mao Period**

After the death of Mao in 1976 and the rise of Deng Xiaoping in subsequent years, China stepped up her efforts to promote domestic economic development while downplaying ideological and rhetorical support for the Third World. Chinese pragmatic foreign policy might be described as a policy of reducing of tensions with virtually all of its former rivals and adversaries, with the obvious exception of the USSR and Vietnam. Peking was more interested in the maintenance of a peaceful international environment, particularly with neighbouring countries in Asia, than ever before. China's domestic policy, meanwhile, moved in dramatically new directions. Although these were power struggles between different factions in the CCP, economic modernisation was given the highest priority on the national agenda.

with Maoist interest in maintaining the purity of the revolutionary vision now virtually extinct.

Even prior to the death of Mao the Chinese Foreign Minister, Qiao Guan-hua, assured the Japanese Ambassador in April 1976 that there would be no change in China's foreign policy following the dismissal of Deng Xiaoping(84). Hua Kuo-feng also pointed out during the visit of Lee Kuan Yew, Prime Minister of Singapore, to China in May 1976 that certain differences of opinion were only to be expected because of national interests or ideology, but that these need not prevent the development of relations(85).

China relied upon a global alliance, marked by Sino-American *rapprochement*, to block Soviet hegemonism. Thus Chinese officials indicated privately and informally to their American counterparts a desire to see US troops remain in S.Korea as a partial deterrent to Soviet expansionism(86). At this point, the Chinese publicly displayed a milder policy of mere disapproval of the US troop presence, while adhering to the general principle of self-determination, meaning that the Korean issue should be resolved by the Koreans themselves. It was reported that China described the Soviet aircraft carrier Kiev as a "pointer to the Kremlin's feverish expansion of its naval power," and public opinion in the West considered that the accelerated building of Soviet aircraft carriers had the purpose of gaining overall naval supremacy for the USSR(87). Xinhua covered US criticism of President Carter's defence policy on the subject of nuclear weapons and the strategic arms limitation talks with the USSR, stating: Mr Carter has been putting too much stress on arms control and not enough on America's defence against what they consider to be a Soviet drive for strategic superiority(88). In fact these were indications that China might have preferred a continued division of the Korean peninsula if any alternative development seemed likely to jeopardise her relations with the US.



The Chinese attitude was made clear during the August 1976 tree-cutting incident at Panmunjom, the so-called "axe incident" in which two US Army officers were killed by N.Korean guards with axes. This was a crisis of similar significance to the capture of the Pueblo and the shooting down of the EC-121(89). The Chinese were very careful not to endorse N.Korea's action in any way. During negotiations of the Military Armistice Commission (Hereafter MAC) in the Joint Security Area (Hereafter JSA), in Panmunjom, China raised the level of her representation on the MAC and made apparent her interest in a quick settlement of the issue(90). Peking recognised that the incident might sabotage the lessening of tension in the Korean peninsula that was necessary for further improvements in relations between China and the US; essential if Russia's encirclement policy towards China was to be deterred.

After a period of ambivalent attitudes towards the communist countries during the 1960's, S.Korea was attempting to improve relations with them by all means(91). S.Korea was having to divert the country's security-oriented diplomacy in order to abandon its traditional anti-communist foreign policy(92). The Foreign Ministry was expanded in order to arrange a dialogue with Peking and Moscow, in which East Europe was to play an intermediate role(93).

A 27-man S.Korean sports team participated in the 1977 summer universiade, held in Sofia Bulgaria on August 17 1977(94). Three S.Korean government delegates were granted visas by the Romanian authorities to attend a conference in Bucharest in October 1977, of the International Committee of the Red Cross. It was the first time that S.Korean government delegates had attended an international gathering in Eastern Europe(95). The S.Korean Transport Minister disclosed that Seoul was using the Soviet trans-Siberian railway to convey exports to Europe. Third countries were used to ship the goods from S.Korea to Vladivostok, a S.Korean request for direct access to Vladivostok having been rejected by the USSR(95).

In this context China was, by this time, entering a stage in which she could not afford to discriminate on political grounds alone against any country if that might have significant implications for her desired economic development. China was reluctant to get involved in the issue of Korea because this would force her to take a position on such sensitive issues as the US troop presence in S.Korea. In a speech at a banquet given in his honour, in Rangoon on January 27 1978 during his visit to Burma, Deng Xiaoping stated that "disputes among some Asian countries should be resolved by the countries concerned through friendly consultations on the basis of the five principles of peaceful coexistence"(97).

There are more substantial developments to be considered between the USSR and S.Korea after the downing of the Korean Airline (Hereafter KAL) plane in April 1978. Following the KAL incident, the S.Korean government formally announced that it had sought through an indirect channel the opportunity to initiate a dialogue with the USSR on the possibility of diplomatic relations with the USSR(98).

Only a few months later, in September 1978, the USSR issued an entry visa to a cabinet member of the S.Korean government, the Minister of Health and Social Affairs Shin Hyun-hwak, to take part in an international conference sponsored jointly by the World Health Organisation (Hereafter WHO) and the United Nations International Children's Emergency Fund (Hereafter UNICEF) at Alma-Ata, the capital city of the Soviet Republic of Kazakhstan. Two S.Korean journalists were also admitted to the USSR to cover the proceedings of the conference and telephone contacts were established between the two countries for the first time since 1948. Moreover, the Kazakhstan Pravda, an official organ of the Communist Party in Kazakhstan, printed the official title "the Republic of Korea" when it reported, on September 7 1978, the speech delivered by the S.Korean minister. The practice of using the official name of S.Korea was considered to be a rare and unusual gesture



on the part of the USSR(99). Four S.Korean delegates to an international meeting on nature preservation held in the USSR in October 1978 were warmly received by Soviet researchers who suggested cooperation on the exchange of results. It is noteworthy that no report was made either of contact or conversations between the Soviets and N.Korean delegates during the meeting(100).

In reaction to the new Soviet relationship with S.Korea, China took a rigid stance towards S.Korea. When entry visas were issued to S.Korean citizens to attend an international conference in the USSR in 1978, RMRB criticized the Soviet *rapprochement* with S.Korea and called it an insidious plot to expand Soviet influence on the Korean peninsula(101). Although Peking had a much lower profile in Seoul than Moscow, Chinese interest in the security of Northeast Asia was still strong and they strove to maintain stability on the Korean peninsula.

China maintained an extremely cautious attitude towards S.Korea in order to avoid N.Korea flirting with Russia. As long as China viewed the USSR as presenting the paramount threat to the region, and S.Korea was still reluctant to accept this view, China refused to admit S.Korean athletes to international competitions, and she also boycotted international sports events located in Seoul. Seoul was excluded from the Asian Youth Badminton Championships held in China in April 1978, and the Asian Youth Soccer Tournament scheduled to be held in Shanghai in October 1978 was cancelled because China did not want to invite the S.Korean team. Again the World Ice Hockey Championships, originally to be held in Peking in March 1979, were moved to Barcelona for the same reason. A similar rejection was made by China to the S.Korean junior soccer team, resulting in the cancellation of the 21st Asian Junior Soccer Championships scheduled for October 1979 in China(102). When the USSR Minister of Foreign Affairs, Andrey Gromyko, for the first time ever in his UN General Assembly speech completely ignored the Korean issue, which was

a kind of tacit support for S.Korea rather than N.Korea, RMRB carried furious attack on the Soviet-S.Korean relationship(103).

The new Soviet relationship with S.Korea had a serious impact on S.Korea's China policy. President Park, obviously eager to rescue the USSR from its predicament, declared in October 1978 that Seoul and Moscow were doing nothing to improve relations between the USSR and S.Korea. He admitted, however, that contacts between them had become more frequent(104). China's decisive rejection of S.Korea's policy arose directly from its concern over Soviet expansionism in the Korean peninsula. Peking appears to have been trying to head off a *rapprochement* between Moscow and Seoul, and to persuade N.Korea to rally more closely behind China. When the Thai Premier delivered S.Korea's "peace-oriented unification policy" to the Chinese leaders during his visit, China laid stress on the consolidation of high-profile relations with N.Korea, rather than on developing contacts with S.Korea(105). Hua Guofeng's visit to Pyongyang in May 1978, the first ever as the Chairman of the CCP, was certainly aimed at keeping N.Korea close to Peking(106). Less than four months later, on September 8, Deng Xiaoping also visited N.Korea to attend ceremonies for the 30th anniversary of the founding of N.Korea's Communist regime, which it was the second visit since 1961(107). Moreover, Deng emphasized his "one Korea" view to Prime Minister Fukuda when he visited Japan in October 1978 to ratify the peace treaty(108). It coincided with the broadcasting by N.Korea of Chinese criticism of the USSR(109).

## **2.2 Economic Relations**

While old polemics and threats were gradually disappearing, economic ties were also being reconstructed. The Chinese push towards industrialisation began in earnest in the early 1970's, almost a decade after S.Korea's industrialisation began. The relative status of industrialisation of the two economies was such that both



countries were in a position to benefit greatly from complementarity in trade relations between them.

### **Complementary Economic Relationships**

Until the 1970's, S.Korea had had no economic links with China since the Korean War. Beginning in the early 1970's, however, there were a series of dramatic policy changes. After suffering lengthy economic isolation China's open-door policy departed from the Maoist principle of national self-reliance, being aimed at promoting economic reforms and development. Taken together with S.Korea's open trading policy towards the communist bloc, the way was open for commercial relations.

Sustained and rapid economic growth had become essential in order to catch up with international technological frontiers. Its achievement required wide acceptance within society of the importance of economic policies that supported high investment, high and rising international orientation, and rapid structural change. The technological disparity between China and the rest of the world was such that her economic development lagged ten to twenty years behind, and the gap could only be expected to widen. In a campaign to regain lost time and prosperity, the Chinese leaders became determined to make up for what was increasingly described as the "ten lost years" of the Cultural Revolution(110).

During the 1960's, while the rest of East Asia was making every effort to industrialise and develop export markets, China remained autarkic. Her economic growth averaged 7.4% between 1965 and 1973, compared 10% for her neighbour, S.Korea(111).

In these circumstances the stage was set for complementary economic relations between China and S.Korea. Both countries were in a position to move towards their economic objectives by pursuing substantial growth in cross-border trade, involving the movements of capital and technology(112). S.Korea was engaged in a classic neo-mercantilist strategy to achieve growth through exports of highly labour-intensive products while resisting imports or the internationalisation of its domestic capital market. S.Korea experienced rapid and substantial economic growth, adopting a panoply of policies--export finance guarantees, preferential provision of infrastructure and utilities for export producers, export tax incentives, etc--to promote exports. The net effect of these policies was to provide increasing export incentives that amounted to almost a third of the value of exports by 1971(113).

New export markets and external sources of raw materials were required, making S.Korea vulnerable in its external economic relations. There was a steady erosion of progress in diversifying the commodity structure of exports, and it was necessary to move in the direction of sophisticated skill-intensive products as well as a diversification of trading partners(114). In this respect, if Seoul wanted a suitable partner, China was the obvious choice.

Despite its traditional dogmatic interpretations of socialism, China's recognition of S.Korea's economic growth provided a plausible justification for economic ties with S.Korea. Having experienced sustained rapid growth since the early 1960's, S.Korea had steadily widened her advantage over N.Korea. From 1971 to 1975, the rate of S.Korea's annual economic growth exceeded N.Korea's by 9.7%, whereas the rate of N.Korean economic growth had been 4.6% higher than S.Korea during the 1960's. After 1976, S.Korea was far better positioned than N.Korea in all areas, including military expenditure. S.Korea's military expenditure in that year was 36.7 billion dollars, compared to N.Korea's 31.6 billion(115).



In order to prevent China's economy falling behind its East Asian neighbours, therefore, China acknowledged the necessity of moving to a capitalistic market-oriented economy. The moderate leadership's decision to forge new links with S.Korea was an obvious way to improve the Chinese economy. S.Korea was poor in resources; China was rich in natural resources. As a result, it was necessary not only to relax their antagonistic attitude towards one another, but also to emphasize long-term policies and economic development agendas as primary weapons in foreign policy. It also led them, in particular China, not to reject foreign investment but to regulate and control it, accepting foreign technology, skills and investments that were practical, effective, cheap and convenient to use.

When China considered how to update its economy, S.Korea, as a successful example of a government-led-export-oriented economic policy was a good model for China's "Four Modernisations". For example, while oil prices were sharply increased in 1973-74 with severe repercussions in the global economy, S.Korea overcame it by means of efficient management of foreign trade with the West. While S.Korea received large amounts of economic aid from the West, mainly from the US and Japan in the 1950's and 1960's; the country was subsequently cited as one of the success stories of the developed countries' aid programmes. On September 7, 1978, an official of the Xinhua said that the economic success of S.Korea was worthy of attention(116).

Seoul's efforts to improve relations with the PRC were aimed not only at diversifying its trading partners, but also at ensuring peace and security on the Korean peninsula. S.Korea's export-led economic policy required trading partners who could provide raw materials and overseas markets. S.Korea exported primarily--over 33%--to the American market, and viewed the expansion of trade with China and other socialist countries as a means to reduce dependence upon the US and

Japan(117). Though the PRC was concerned about the growing international status of S.Korea, her more advanced technologies and financial capabilities held great potential for the Chinese economy.

### **The Emergence of Indirect Secret Trade**

It was in the early 1970's that S.Korea's government lifted its rigid ban on trade with communist countries. S.Korea announced in 1971 that Seoul would be willing to improve relations with any "non-hostile" communist country that recognised the sovereignty of S.Korea and gave no aid to N.Korea. In September of that year, a "S.Korean economic delegation" led by the president of KOTRA visited communist countries with government approval(118).

In 1971, S.Korea's attitude towards trade with the USSR was positive, and that initially triggered China's change of policy towards S.Korea(119). According to Japanese sources, there was evidence of Soviet contact with representatives of S.Korea from January 1971, but neither country acknowledged these rumours(120). There was some rivalry between China and the USSR in trade with S.Korea. For example, Xinhua accused "Soviet social-imperialism" of "intensifying collusion with the Park Chung-hee clique to mislead world public opinion." A statement made by a S.Korean businessman, based on a conversation with a Soviet trade official in London, suggested bright prospects for direct trade between S.Korea and the USSR. In its turn, the USSR struck back at Peking, alleging that China had signed a deal with S.Korea for the sale of 1,000 tons of red peppers. This provoked a heated denial from Xinhua, citing additional examples of "open and secret collusion between Soviet social-imperialism and the S.Korean puppet Park Chung-hee clique"(121).

After the June 23, 1973 declaration it became permissible for S.Korean ships to berth in communist ports and *vice versa*, thus giving access to parts of the world



that had formerly been forbidden(122). Furthermore, the S.Korean Ministry of Finance extended permission for industries to participate in international bids, at the invitation of communist countries in particular, by means of an amendment to the Trade Transaction Act (Hereafter TTA) made on April 12, 1974.

Expatriate-Koreans played an important role in establishing friendly commercial links with China. Since the Chinese insisted that they would discuss S.Korean trade only with people they trusted, several of Korea's overseas businessmen who had obtained American citizenship, and who had connections with expatriate-Chinese businessmen, attempted to do business with China and S.Korea via third countries; notably South Vietnam, West Germany, and the US. From interviews with expatriate-Korean businessmen it emerged that during the substantial S.Korean involvement in the Vietnam War in the 1970's, *Kor-yo Kuk-jae Mun-hwa Mu-oek Kong-sa* [Korea International Cultural Trade Company], run by Graham Ahn, a businessman in Los Angeles, began trading with China and S.Korea via South Vietnam(123). In this way, the initial portion of S.Korea's China trade was through third parties, especially via South Vietnam due to S.Korea's involvement in the Vietnam War.

The chief items imported from China via third countries to S.Korea were medicinal herbs, wigs and peanuts. Due to the political constraints imposed by the N.Korean government, there was no direct trade between China and S.Korea. The process of trade between the two countries seems have been on a three pronged basis. *Kor-yo Kuk-jae Mun-hwa Mu-oek Kong-sa* imported semi-finished materials from China via a Chinese company in South Vietnam and exported them to S.Korea for completion and final export to the US. After 1972 several S.Koreans holding American citizenship visited Vietnam seeking further trade opportunities. They had already secured those Chinese items which were essential for S.Korea manufactures, but they realised that both the manufacturing process and the

delivery of re-exported materials were made both more difficult and inefficient than necessary, due largely to the state of political relations between the two countries(124).

### **The Hong Kong Connection**

It was well known in the West that seeking intermediary partners, such as Hong Kong, Japan, Singapore, West Germany, or other countries was the best way to overcome the obstacles raised by political constraints. Such is the importance of Hong Kong in particular that Chinese-S.Korean trade can be tracked using unofficial figures from this country.

The role of Hong Kong as a lively commercial entrepreneurial centre with its own manufacturing industry, and an acute sensitivity to world markets, together with China's quest for standing in the international community, and S.Korea's export-oriented economic policy made possible unofficial economic relations between China and S.Korea.

The nature of Hong Kong's contribution to China is worth spelling out. It has, over the years, provided up to 40% of the entire foreign exchange earnings of China. During the two decades of US attempts to isolate Peking from world commerce, Hong Kong served as an essential, politically neutral, staging-post for the transshipment of Chinese goods to the rest of the world; even at the very height of Cultural Revolution xenophobia and anti-Westernism during the 1960's.

Hong Kong provided S.Korea with a quiet but effective window in its trade with the non-capitalist countries. Since the Korean War the S.Korean government had been allowed to use Hong Kong as a base for observing China. It seemed obvious for S.Korea to consider Hong Kong as a feasible nexus through which to trade with



China. In 1971, Hong Kong was S.Korea's fourth largest trading partner, surpassed only by the US, Japan and South Vietnam; and was also one of the few areas with which S.Korea had a favourable trade balance. In 1972 Hong Kong's re-exports to S.Korea increased by 68.3% to US\$142 million. Moreover China ranked second amongst Hong Kong's import partners until 1981, and after that year ranked first(125). Hong Kong imported various raw materials from China, then packed and despatched them to S.Korea. In 1970 for instance S.Korea imported from Hong Kong around US\$15 million worth of dairy produce, sugar, coffee and tea, beverages, textile fibres, scrap metal, machine products and chemical products, none of which were available from Hong Kong, and these presumably originated in China.

S.Korea, in turn, exported around US\$30 million worth of local products to Hong Kong in 1970: cotton textiles, cement, fertilizer industries, tiles, electrical components and PVC materials(126). It is, however, difficult to say whether these commodities from S.Korea to Hong Kong were re-exported to China, because similar commodities were required for Hong Kong's construction projects. According to recent S.Korean sources, of S.Korea's exports to Hong Kong in the early 1970; 90% were consumed in Hong Kong, while the remaining 10% were re-exported to China. A few S.Korean semi-finished goods, i.e. some of the PVC materials and fertilizer materials, were completed and packed in Hong Kong(127).

Furthermore, many expatriate-Koreans in the US and Hong Kong with family links in S.Korea and dealings with expatriate-Chinese businessmen, helped Hong Kong to strengthen its intermediary role between China and S.Korea, thus encouraging China's efforts to regenerate its economic relations with the West via Hong Kong. Many S.Korean businessmen in S.Korea who were more interested in Hong Kong's role in the context of the trade and service networks between Hong Kong and S.Korea, were encouraged by Hong Kong's economic successes and its *entrepot* trade with China. For instance, S.Korean trade officials and businessmen in

Hong Kong were employed by government owned companies worth US\$2.5 million. The New S.Korea Trade Centre opened in Hong Kong in 1971, containing some twenty-one S.Korean retail shops(128).

China's attitude was shown by the fact that permission was given for Zhang Liqun to visit Seoul with his wife *en route* to Hong Kong, indicating their willingness to trade with S.Korea(129). Communication with S.Korean businessmen and family members abroad was maintained through friends or acquaintances in Hong Kong. They took advantage of the possibilities to further the interconnection of Korean-overseas business between China and S.Korea; avoiding the S.Korean government's restrictions on foreign exchange, and the danger of trading failures due to the non-existence of diplomatic relations. From a practical point of view, commercial links between China and S.Korea became easier after the establishment of postal and telegraphic communications between them in 1974. The initial discreet trade via third parties grew into an important two-way trade--a development of such significance as to overshadow all that had gone before.

### **2.3 Conclusions**

During this period, relations between China and S.Korea were characterised by cautious Chinese responses to S.Korean overtures. China was constrained by her determination not to jeopardise ties with Pyongyang, and by Sino-Soviet rivalry in the peninsula. The initial test for China and S.Korea concerned security relations. In this period mutual denigration ceased, and some of the potential conflicts between them were sidestepped. The two countries met at international fora, though not in China, and the Chinese response stopped short of total rejection. As long as the Chinese continued to stress relations with N.Korea, in the wake of the collapse of Vietnam and Soviet military expansionism in Northeast Asia, they ignored the many intermediaries that spoke on Seoul's behalf in Peking.



In restructuring China's foreign trade apparatus, it was S.Korea that was the main beneficiary of the new Chinese foreign policy. Once relations between China and S.Korea no longer relied purely on political factors, economic development could reasonably be substituted for the security agenda. In order to cope with serious economic and social problems, China needed to conduct revolutionary changes so as to regenerate her trade relations with the West. In these circumstances indirect secret trade via Hong Kong with informal contacts with S.Korea, appears to have flourished.

While animosity remained between China and S.Korea, however, as a consequence of the N.Korean complications, S.Korea chose to develop a policy towards China based on an economic agenda. Both China and S.Korea appear to have had some difficulty distinguishing and disentangling China's policy towards S.Korea from its Korean policy in general. Relations between the countries in this period could be described as good progress under poor conditions. S.Korea's so-called "June 23rd Declaration" could not be fully implemented to improve relations with China if China would not cooperate, for example, China still did not allow S.Koreans to participate in international meetings and sporting events in China. In essence, China had no real policy towards S.Korea(130).

## Notes

- (1) A Doak Barnett, 'The Multipolar Balance in East Asia: Implications for United States Policy,' *The Annals of the American Academy of Political and Social Science*, no.390, July 1970, pp. 73-87.
- (2) Gerald Segal, 'Modernizing foreign policy,' in David S.G. Goodman, Martin Lockett and Gerald Segal, *The China Challenge: Adjustment and reform* (London: Routledge for RIIA, 1986), pp. 63-64.
- (3) Harold C. Hinton, 'Deng Xiaoping's management of the superpowers,' *The Fifteenth Sino-American Conference on Mainland China, Theme: Changes and Continuities in Chinese Communism*, June 8-14, 1986 (Taipei, Taiwan: Institute of International Relations National Chengchi University, 1986), p. 3; Ronald C. Keith, *The Diplomacy of Zhou Enlai* (London: Macmillan, 1989), p. 209.
- (4) Concerning the term "Mao-Zhou Diplomatic Grand Design," see Immanuel C.Y. Hsu, *The Rise of Modern China* (Oxford: Oxford University Press, 1990), p. 740.
- (5) Gerald Segal, 'China and the Great Power Triangle,' *CQ*, no.83, September 1980, pp. 490-509; *The Great Power Triangle* (London: Macmillan, 1982).
- (6) Young Hoon Kang, 'Security Policy,' in Youngnok Koo and Sung-joo Han, ed., *The Foreign Policy of the Republic of Korea* (New York: Columbia University Press, 1985), pp. 54-55; Se-jin Kim, ed., *Korean Unification: Source Materials with an Introduction* (Seoul: Research Centre for Peace and Unification, 1976), pp. 303-304.
- (7) *Detente* is a French word that actually means a "relaxation of tension", in a literal way, as with the release of a bowstring. Long ago it came to be used in diplomatic parlance to represent an easing of strained or tense relations between states. It is distinguished from another French word, *entente*, which represents a positive development of close and cooperative relations. In this study, I apply the concept of *detente* particularly to the prevailing progressing and results of, the Nixon-Kissinger team's policy towards China in the late 1960's. For a useful study of the roots of the Nixon-Kissinger *detente* policy in Northeast Asia, see Robert S. Litwak, *Detente and the Nixon Doctrine: American Foreign Policy and the Pursuit of Stability, 1969-1976* (Cambridge: Cambridge University Press, 1984); Thomas G. Paterson, *Meeting the Communist Threat: Truman to Reagan* (Oxford: Oxford University Press, 1988); Park Chung Hee, *Korea Reborn: A Model for Development* (Englewood Cliffs, N.J.: Prentice-Hall, 1979), p. 128.
- (8) Park Chung Hee, 'Korea Reborn: A Model for Development' *Selected Speeches and Interviews: Towards Peaceful Unification*, 2nd Edition (Seoul: Kwangmeong Publisher, 1978), pp. 84-85.
- (9) Apart from the U.S. government's initiative in relaxing the restrictions against travel to, and trade with, the PRC on July 21, 1969 and the positive Chinese response on December 18, 1970 which resulted in the Nixon visit to Peking, announced in July 1971, there was also the election of Willy Brandt as chancellor of the Federal Republic of Germany (FRG or West Germany) in October 1969. West Germany promoted to "*Ostpolitik*" aimed at *detente*, and moved rapidly to sign a Non-aggression Pact with the Soviet Union in Moscow, in August 1970, and an agreement on transit between West Berlin and West Germany with the German Democratic Republic (GDR or East Germany), in December 1971. West Germany also entered into negotiations that led to treaties with Poland and Czechoslovakia in the early 1970's. Dennis L. Bark and David R. Gress, *A History of West Germany*, vol.2: Democracy and its Discontents, 1963-1974 (Oxford: Basil Blackwell, 1989), in particular, part II, 'The Fourth chancellor of Germany, Willy Brandt, 1969-1974,' pp. 166-221; A. Doak Barnett, 'The Multipolar Balance in East Asia: Implications for United States Policy,' pp. 73-87.
- (10) Andrew C. Nahm, 'U.S. policy and the Japanese annexation of Korea,' in Tae-Hwan Kwak, John Chay, Soon Sung Cho, and Shannon McCune, ed., *U.S.-*



- Korean Relations, 1882-1982* (Seoul: The Institute for Far Eastern Studies Kyungnam University Press, 1982), pp. 38-39.
- (11) Morton Abramowitz, *Moving the glacier: The two Koreas and the powers*, *Adelphi Papers*, no 80 (London: IISS, 1971), p. 1.
  - (12) Soedijatmoko, 'The role of the major powers in the East Asian-Pacific region,' *Survival*, vol.14, no.1, January-February 1972, p. 34.
  - (13) For the full text of the joint communique, see, *Peking Review*, (Hereafter PR), no.9, March 3, 1972, pp. 4-5; *Joongang Ilbo*, February 29, 1972, p. 1.
  - (14) 'President Nixon Concludes Visit to China: Joint Communique,' PR, no.9, March 3, 1972, pp. 4-5.
  - (15) *Hankuk Ilbo*, 20 February, 1972, p. 1.
  - (16) Charles E. Morrison and Astri Suhrke, *Strategies of Survival: The Foreign Policy Dilemmas of Smaller Asian States* (New York: St. Martin's Press, 1978), p. 292.
  - (17) Professor Youngnok Koo has revealed that he was involved this group as a nonpermanent research commissioner in 1971. See Youngnok Koo, 'Foreign Policy decision-Making,' p. 37; Republic of Korea, Ministry of Foreign Affairs, *Han-guk Oe-gyo sam-sib-nyon*, 1948-1978 (Seoul: Oemu-bu, Oe-gyo Yon-gu-won, 1979), p. 241.
  - (18) Republic of Korea, Ministry of Foreign Affairs, *Hanguk Oegyo samsibnyon*, p. 241.
  - (19) *Ibid*, p. 242.
  - (20) Shim Jae-Hoon, 'South Korea: Life without Sam,' *Far Eastern Economic Review*, (Hereafter FEER), January 23, 1971, pp. 14-15. & *Ibid*, p. 36-37; Ranko Petrovic, 'Yugoslavia and Republic of Korea in the Nineties,' *Korea and World Affairs* (Hereafter KWA), no.12, Fall 1988, p. 528.
  - (21) Byung Chul Koh, 'The United Nations and the Politics of Korean Reunification,' *Journal of Korean Affairs*, vol.3, no.4, October 1974, pp. 56-57. For a discussion of South Korean scholars' concerns about South Korea's reunification policy in the U.N., see Park Joon Kyu and Lhee Ho Jeh, "Tong-il Chong-chaek Ul Hyon-sil-hwawa Han-guk Chong-hoeul Chun-mang (Realistic Unification Policy and Prospects of the Korean Question in the General Assembly)," *Chungang*, September 1973, p. 66.
  - (22) Yong-suk Jung, "Han-guk Ka-ip Mun-jewa Mi-gukul sil-li Oe-gyo," [The Problems of the ROK's U.N. Admission and Pragmatic U.S. Diplomacy], *Shin Dong-a*, September, 1975, p. 69.
  - (23) UNCURK was established by U.N. resolution following submissions by Britain and seven other nations-- Australia, Pakistan, the Philippines, and Thailand [the Pacific area]; the Netherlands [Western Europe]; Chile [Latin American]; Turkey [Middle East]--under the supervision of the United States in October 1950. It was, however, unable to carry out its primary task of establishing a unified Korea by peaceful means as an impartial third party mediating the differences between the two Koreas. See Adam Robert and Benedict Kingsbury, ed., *United Nations, Divided World: The U.N.'s Roles in International Relations* (Oxford: Oxford University Press, 1989); Oran R. Young, *The Intermediaries: The Third Parties in International Crises* (Princeton, N.J.: Princeton University Press, 1967).
  - (24) For the full text, see *The New York Times*, 16 November 1971, pp. 12-13.
  - (25) Park Chung Hee, *Selected Speeches and Interviews: Towards Peaceful Unification*, pp. 84-85. For the abandonment of the Hallstein Doctrine, see Youngnok Koo, 'The Conduct of Foreign Policy,' pp. 225-228; Chi Young Park, 'Korea and the United Nations,' in Youngnok Koo and Sung-joo Han, ed., *The Foreign Policy of the Republic of Korea*, pp. 264-265.
  - (26) Norman Thorpe, 'South Korea: Outmoded doctrine,' *FEER*, February 26, 1973, p. 22.
  - (27) *Ibid*.
  - (28) Tang Tsou and Tetsuo Najita, 'Sino-Japanese Relations in the 1970's,' in Morton A. Kaplan, ed., *Japan, American and the Future World Order* (New York:



- Free Press, 1976), p. 73; Donald Zagoria and Janet Zagoria, 'Crises on the Korean peninsula,' in S. Kaplan, *Diplomacy of Power* (Washington, D.C.: The Brookings Institution, 1981); Robert A. Scalapino, 'The Two Koreas--Dialogue or Conflict,' in William J. Barnds, ed., *The Two Koreas in East Asian Affairs* (New York: New York University Press, 1976), p. 101.
- (29) Henry Kissinger, *White House Years* (Boston: Little, Brown and Co., 1979), p. 1061.
  - (30) Ilpyong J. Kim, 'China and USSR,' in Youngnok Koo and Sung-joo Han, ed., *The Foreign Policy of the Republic of Korea*, p. 209.
  - (31) Hong Yung Lee, 'Korea's Future: Peking's Perspective,' *AS*, vol.17, no.11, November 1977, p. 1093.
  - (32) *Hankuk Ilbo*, June 23, 1973.
  - (33) For the eight articles in *Hankuk Ilbo*, see *Hankuk Ilbo*, July 1, 2, 3, 12, 13, 23, 24, 25, 1973.
  - (34) Chang-yoon Chol, 'Korea and China: Current Issues and Future Prospects,' Sung-joo Han, ed., *After One Hundred Years: Continuity and Change in Korean-American Relations* (Seoul: Korean University, The Asiatic Research Center, 1982), p. 127.
  - (35) For an analysis of detailed positions of the two countries, see Cheng Huan, 'Territorial Claims: The legal tussle for Asia's Seas,' *FEER*, May 20, 1974, pp. 45-46; Selig S. Harrison, *China, Oil, and Asia: Conflict Ahead* (New York: Columbia University Press, 1977), pp. 131-139; "China and Vietnam: Like oil and water," *The Economist*, January 26, 1974, p. 44.
  - (36) A comprehensive study was made in Selig S. Harrison's own paper, see Selig S. Harrison, *China, Oil, and Asia*, pp. 131-139; Chi Young Park, *The Korean Straits* (Dordrecht & London: Martinus Nijhoff Publishers, 1988), pp. 48-50.
  - (37) *Hankuk Ilbo*, March 17, 1973, p. 1.
  - (38) Selig S. Harrison, *China, Oil, and Asia*, pp. 131-139.
  - (39) *Statement of the Foreign Ministry of the Republic of Korea*, March 16, 1973.
  - (40) Han-Key Lee, *Sae-rowun Dae-ryuk-poong Che-dowa gu Mun-che-chom* [The New Regime of the Continental Shelf and Its Problems] (Seoul: Institute of Foreign Affairs and National Security, 1978), pp. 42-43.
  - (41) Kyodo, April 26 1977, in *BBC/SWB/FE/5496/A3/1*; Xinhua, May 11 1978, in *BBC/SWB/FE/5810/A3/1*; BR, June 17 1977, p. 17; Ying-jeou Ma (with a forward by Louis B. Sohn), *Legal Problems of Seabed Boundary Delimitation in the East China Sea* (College Park MD: School of Law University of Maryland, 1984), p. 61.
  - (42) Dal Joong Chang, 'Joong-kong: Dae-oye-chong-kaekul ki-bon-no-son-koa Beon-yong,' [Communist China: Continuity and Change in Chinese Foreign Policy], *Shin Dong-a*, July, 1983, p. 213.
  - (43) Chang-yoon Chol, 'Korea and China,' p. 124.
  - (44) Xinhua, June 12 1976, in *BBC/SWB/FE/5232/1*; Xinhua, June 15 1976, in *BBC/SWB/FE/5234/A3/3-4*; Haptong, June 21 1976, in *BBC/SWB/FE/5239/FE/A3/4*.
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### **CHAPTER THREE: ENCOURAGING DEVELOPMENTS, DECEMBER 1978-1984**

After the period of cautious developments between China and S.Korea, relations entered a period of encouraging developments between 1978 and 1984. Further progress was made possible by the Third Plenary Session of the Eleventh Central Committee of the CCP, in December 1978, which gave a new and vital impetus to S.Korea's contacts with China, as China was now committed to reaching out to the West. The second essential stimulus was provided by the Sino-American normalisation in January 1979, which allowed China to devote her energies to the pursuit of a peaceful regional environment, in particular on and around the Korean peninsula. During this period there were a number of unforeseen incidents and developments which required policy-makers to become more adaptable, thus crystallising a great many new links between China and S.Korea.

#### **3.1 Politico-Strategic Relations**

During the period between 1978 and 1984, China needed a peaceful environment to allow modernisation. She first reflected S.Korea's flexibility, then actively pursued such a stance herself, though it remained difficult for Peking to ignore its traditional ally, N.Korea. The first official contact between China and S.Korea provided them with the opportunity to sound out the likelihood of *rapprochement*. S.Korea's security required Chinese support, no less than the Chinese required regional calm, and this ultimately allowed relations between the two countries to be accorded a new and positive prominence.

#### **Development of Chinese Regional Policy and Its Flexibility towards S.Korea**



After the Third Plenary Session of the Eleventh Central Committee of the CCP in December 1978, China was willing to take practical steps towards a pragmatic policy on the Korean peninsula, in order to devote the greatest possible attention to the "Four Modernisations" at the expense of Maoist ideological certainties. The rapid improvement of relations with the industrial West was seen most clearly in the normalisation of relations with the US, and the signing of a Treaty of Peace and Friendship with Japan. This resulted in increasing tension with the USSR, and later in a striving for balance between the US and the USSR(1).

These shifts in attitude were rooted in China's efforts towards modernisation. Together with China's long-term foreign policy goals this produced a new thrust in Peking's external policies. As the open door policy expanded, the need to coordinate foreign policy with diplomatic-political policy encouraged a new pragmatism and flexibility in relations between China and S.Korea.

After developing military *pseudo*-alliances with the US and Japan and taking an anti-hegemony stance towards the USSR, China publicised her efforts to ease tensions on the peninsula and sought to enhance her image as a peace-loving country. This new approach arose out of a review of international relations in the region, in which China recognised the central importance of peace and stability on the Korean peninsula; the threat of military confrontation between the North and the South being seen as the most dangerous flashpoint in Northeast Asia.

The Chinese leaders recognised that military confrontation in Korea would place China in the strategic dilemma of either supporting N.Korea, thereby jeopardising Sino-US/Japan relations, or abandoning N.Korea totally to Soviet influence. To forestall such a possibility it was clearly in China's national interest to pursue a more practical course in its relations with S.Korea. The key element of the new policy was the maintenance of the *status quo* on the Korean peninsula, together

With the easing of tension. On the one hand, China continued to maintain its long-established friendly relations with N.Korea; while on the other hand, China had to develop friendly, cooperative relations with S.Korea.

China's regional responsibilities necessitated the moderation of their attitude towards S.Korea after the hostility of the post-Korean War years. China's actually playing a pacifying role on the Korean peninsula is a vivid demonstration that S.Korea had been drawn into Peking's broader regional strategy(2). During Deng Xiaoping's visit to Washington in January 1979, he agreed to the US request that China play a more active role in defusing tension on the Korean peninsula; so that when President Park was assassinated by his chief aide in October 1979, China informed N.Korea that if Pyongyang took any aggressive action against the South, causing difficulties between Peking and Washington, China would cut oil supplies to N.Korea(3). Despite President Park's death and the increased influence of Moscow on S.Korea, (the USSR was sending economic missions and groups of journalists to Seoul by this time), a ranking Chinese Foreign Ministry official stated that China had no intention of establishing contact with S.Korea(4).

Peking's attitude towards S.Korea was confirmed by the Chinese Foreign Secretary Huang Hua, in his speech, "Policies Foreign Affairs and the General Situation in the 1980's and Future Tasks", later published by the Institute of International Relations in Taipei. He declared "*Kuan-men pu-shang-so*" [the door is closed but not deadly locked]. Huang Hua outlined the regime's basic principles for dealings with the Korean peninsula in his 1980 report. First, the reunification of N.Korea and S.Korea must be effected through peaceful means without outside intervention. Thus, Peking acknowledged the US military presence in S.Korea, Peking made its position clear and expressed its understanding of the US stance. Second, China regarded the USSR as the main dangerous factor on the Korean peninsula. The PRC, along with the US and Japan, shared the responsibility for



upholding the *status quo*, thus ensuring stability in Northeast Asia and the whole Asia-Pacific region. Third, China would closely scrutinise the USSR's influence on the Korean peninsula, and continuously consult with the US and Japan. Fourth, if N.Korea established a position whereby they would cooperate with the USSR against China, then China would immediately play their "S.Korea card". This would tend to weaken pro-Soviet putschist elements in N.Korea as well as improving relations with S.Korea where this was in their mutual interest(5).

By the end of the decade China had clearly reduced her animosity towards S.Korea. Although the Chinese leaders publicly reaffirmed Peking's long-standing opposition to any "Two Koreas" formula, the new approach would make a major contribution to the balancing act which China was conducting between N.Korea and S.Korea, allaying concern about Soviet threats, and assuring China's general foreign policy goal of relaxing tension in the peninsula. The Chinese shifted from a position that would not countenance any ties with S.Korea to an increasingly active, non-governmental relationship. From this time onwards, Peking's diplomats were allowed to contact their S.Korean counterparts at diplomatic meetings in other countries(6). Although Peking refused to issue entry visas to S.Koreans because of N.Korean opposition, China quietly repudiated the ideological principles that were once the hallmark of its foreign policy, dealing with issues on a pragmatic, case-by-case basis.

The pro-Communist Chinese daily newspapers of Hong Kong reflected the changing attitudes of Peking towards S.Korea by beginning to use the term "Republic of Korea" (*HanKuo* in Chinese) frequently in their headlines. TagongBao, WenweiPo, and ShinwanPo still described S.Korea as *Nan-chao-xian* in their articles, but they often called it the "Republic of Korea" or "*Han*", the initial of the Chinese name of Korea, in their non-political or sporting headlines. In particular, in spite of N.Korean protests to these dailies regarding their use of S.Korea's official name,

Chinese reports covering the 1980 Asian Women's Basketball Championships held in Hong Kong consistently referred to the Republic of Korea as "*Hankuk*"(7). On May 5 1980 an editorial in BR referred to S.Korea in a new way, alluding to it as "diehard", instead of the long-used terms "reactionary" or "imperialist running dog"(8).

Peking was far less active than the USSR in criticising the S.Korean government for the repression in Kwangju in May 1980(9). On May 20 1980 an editorial in RMRB criticised the S.Korean government as follows: "the cowardliness and weakness of the Seoul regime... fully express its hostility to the people in continuing the policy of dictatorship" instead of using the term "criminal act" which had previously been used(10).

It has also been reported that Peking persuaded Washington to suspend President Carter's decision to withdraw troops from S.Korea in 1979(11). It can be viewed as encouraging that China played a part in at least preserving the *status quo* on the Korean peninsula.

### **N.Korea and the Status Quo on the Korean Peninsula**

China began to reassess its relationship with N.Korea, hoping to ease the strains between them, after the Chinese military machine failed to profit from the lessons of Vietnam. More seriously, Pyongyang's recognition of Babrak Karmal's pro-Soviet government, after the USSR's invasion of Afghanistan in late 1979, meant that Peking was surrounded by Afghanistan, Vietnam, and Mongolia, all of which were either allies of, or aligned to the USSR(12). Jonathan D. Pollack argued that leaders in both China and N.Korea reached the conclusion that neither stood to gain from the open polemical battles that marked Sino-Soviet relations in the early 1960's and Sino-Vietnamese relations in the late 1970's(13).



In the light of the PRC's self-appointed mandate to maintain a peaceful international environment, Peking could not but interpret S.Korea's efforts in sharp contrast to those of N.Korea(14). When US Secretary of Defence Harold Brown visited Peking in January 1980, he was assured that China would not support N.Korea in the event of an attack on the South. Seeing what had happened in Afghanistan China feared that if N.Korea invaded S.Korea Pyongyang might be occupied by the USSR on the pretext of protecting N.Korea(15). Chinese leaders were also concerned about the instability in the peninsula resulting from N.Korea's reckless and belligerent behaviour(16). N.Korean soldiers fired across the DMZ on 12 August 1981, and two N.Korean MIG-21's flew over Paengnyung Island which was under United Nations Control (Hereafter UNC). Furthermore, a N.Korean missile was fired at a US reconnaissance plane on 27 August 1981. By contrast, when a corpse and other items, believed to belong to a Chinese soldier killed during the Korean war, were found south of the demilitarized zone on 23 July 1981, S.Korea respectfully and unconditionally returned them to the Chinese representative of MAC, in cooperation with the UNC at the DMZ(17).

From the early 1980's onwards it is evident that the Chinese increased diplomatic activity towards N.Korea, in the hope of developing more friendly relations(18). This was marked by a series of exchanges between top leaders in China and N.Korea. Between 1981 and 1984, there were six meetings disclosed in which one or more of the senior leaders from each state participated (Kim Il-sung and Kim Jong Il for N.Korea; Deng Xiaoping, Hu Yaobang, and Zhao Ziyang for China)(19). For example, Deng accompanied Kim on a tour of Sichuan province for four days, and Hu Yaobang escorted him from Chengdu to Xian, returning together to Peking(20).

Seeking stability on the peninsula the PRC did their best to encourage the Pyongyang regime to follow a course of reform similar to that pursued by Deng Xiaoping since 1978. Chinese leaders also repeatedly emphasised their hope that Peking had persuaded N.Korea to accept the ongoing political, economic, and strategic evolution in the international environment. For example, Peking helped N.Korea to gain a United Nations Development Program (Hereafter UNDP) loan of US\$8 million for the development of railway facilities, under the auspices of the US(21).

N.Korea attempted to alleviate its terrorist-exporting image with Kim Il-sung's new proposals towards the US in 1984. It is significant that China conveyed Pyongyang's first proposal for tripartite talks to the US while the USSR showed no sign of endorsing N.Korea's initiative. After US senator Jacob Javit's meeting with Deng Xiaoping, he told reporters that Chinese leaders supported a tripartite conference suggested by Pyongyang, involving the US, the South and the North(22). China did not intend to play an intermediary role between the US and N.Korea because this might adversely affect Sino-American relations. It is also noteworthy that Deng Xiaoping recommended Panmunjom, in Korea's DMZ, to US defence secretary Caspar Weinberger as the venue for four power armistice talks(23).

The Chinese leaders were careful to avoid being drawn into a closer association with the US, despite the urgings of American leaders, and were beginning at the same time to improve relations with the USSR without sacrificing any basic principles. A major component of China's foreign policy was to reduce tensions on the Korean peninsula, so as to assure an environment in which her modernisation could come to fruition(24). When, in September 1984, the British and Chinese governments reached agreement over Hong Kong under the unique arrangement of "one country, two systems", it was reported that Chinese leaders admitted that China did not completely support some of the paths that N.Korea had



taken. They had urged N.Korea to accept a similar formula, in effect a Chinese version of the N.Korean "confederated state" formula, which would "respect" the existing systems of the North and the South(25). Chinese leaders were also using terms of moderate tone, such as "durable peace", rather than more assertive terms. For example, during his visit to Pyongyang in May 1984 Hu Yaobang stated:

When the US President visited China recently, Chinese leaders, myself included, frankly reiterated the stand of China fully supporting the independent and peaceful reunification of Korea, in the framework of a confederation, through talks, in order to move towards a durable peace on the Korean peninsula. It is the most realistic and feasible way, and therefore the best way to reunify the Korean peninsula peacefully(26).

In addition, it was reported that there were different views held by the Chinese and the N.Koreans on the struggle against imperialism. At a world conference of journalists opposed to imperialism, held in Pyongyang in July 1983, part of a speech by a Chinese delegate was omitted in the N.Korean translation(27). The Chinese leaders clearly wished to depict their relations with N.Korea as modest, limited, and indirect: indeed, China went beyond her repeated assurances concerning the North's lack of aggressive intentions, and set explicit limits to the PRC's prospective support in the event of renewed hostilities. In a meeting with a delegation from the Japanese Socialist Party (Hereafter JSP) in June 1984, Zhang Xiangshan, an adviser to the CCP International Liaison Department, stated that "If the DPRK strikes the first blow and starts a war, China would be in no position to support her." His statement sought to explicitly dissociate China from any renewed hostilities initiated by the North(28).

### **Seeking China's Support under the Fifth Republic**

After the assumption of power by general Chun Doo-hwan in 1980 and the emergence of the 5th Republic, the new President and his government faced the double tasks of consolidating a tolerable degree of political stability and tackling the

equally pressing problems of the economy. He pursued the same strategy for improving relations with China as President Park: using a body of skilled and experienced technocrats(29). Foreign and security policy seeking support from China continued to absorb much of the attention of the 5th Republic, because the survival of both the government and the country itself depended to a considerable extent on the maintenance of at least a reasonably favourable external environment.

From 1978 onwards editorials in leading S.Korean newspapers were firmly supportive of normal relations between China, America and Japan, in contrast to Seoul's suspicious response to Sino-American *rapprochement* in 1972. Many in S.Korea, especially in government circles, regarded China as "a balance" against the USSR(30). S.Korea was also seeking China's support to influence the formulation of a reunification strategy, especially regarding North-South dialogues and economic co-operation. It would provide S.Korea with more favourable opportunities to improve relations with China than ever before.

China's contact with S.Korea remained exceedingly limited and indirect in nature. Chun therefore attempted to pursue a more effective organisation of the government so as to engage in more active contact with China. For this he emphasised the so-called "Trio" of diplomats: the S.Korean Ambassador to India Lee Bum-suk, the former Premier and foreign minister Choi Kyu Hah, and the Ambassador to Washington Kim Young Shik, all leading players in the scheme of S.Korea's foreign policy towards communist countries. In particular, President Chun appointed Lee Bum-suk, one of the few S.Koreans better known outside his own country than within it, as Minister of National Unification. He later became Minister of Foreign Affairs and was in favour of easing restrictions on communism in order to extend S.Korea's "north-oriented" foreign policy(31).



President Chun freely expressed his willingness to cooperate with countries in ideological opposition to the US including China. At a news conference at the National Press Club in Washington, D.C. in February 1981, he stated his attitude towards China by answering a question as follows, "If the People's Republic of China is a friend of the US, I think I can extend the logic and say a friend of a friend is less of a threat to us than the other power that you have mentioned"(32). He further elaborated a basic Korean policy towards China in an interview with Time magazine in April 1981:

We are as a matter of principle in favour of exchanges of goods and people with countries that do not agree with us ideologically, provided that those countries do not take hostile action against us. But I do not believe it will be easy for us to improve these relations rapidly. The US could help us, for example, by helping to persuade China to engage in an exchange of goods, to recognise the Republic of Korea and help the Republic of Korea become a member of the UN. Then the US could recognise the existence of N.Korea(33).

Another factor prompting S.Korea to reassess her attitude towards China was the retrenchment in military budgets. Financial considerations obliged S.Korea to cutback its military budget, turning its energies away from military options, and towards a foreign policy of *rapprochement* with China. This alternative strategy to deal with the N.Korean threat is largely responsible for the improvement in inter-Korean relations.

After Seoul was awarded the 1988 Olympic Games, on September 30 1981, S.Korea began cutting defence budgets in order to erect Olympic facilities. This process continued when the Asian Games Federation decided to hold the 1986 Asian Games in Seoul; the S.Korean government found it increasingly difficult to persuade the National Assembly to vote additional funds to the military budget as a result in the growth of the peace movement at home(34). It became clear that S.Korea's most expedient means to discourage the North's militant policy of unification was to cooperate with China, thus maintaining the peace in the region.

Contacts between China and S.Korea became more regular than before. Limited nonpolitical contacts with S.Korea increased. Both China and S.Korea began to participate regularly in international events in other countries. The most frequent exchanges between China and S.Korea were made by Korean staff members of the WHO. A Chinese staff member of the UN Secretariat participated in an international workshop on Maritime Law held in Seoul during the summer of 1981, returning again for a seminar on international law sponsored by the UN Institute for Training and Research in October 1982(35). In July 1981, another Chinese scholar, Yuan Chuangjing, who is a member of the law institute of the PRC Academy of Social Sciences, reportedly came to the same meeting on a Chinese passport though he did not travel directly from China but from the US where he was serving as a visiting scholar(36). Soon afterwards two Chinese staff members from WHO visited Seoul for a regional conference of the organisation. When a Chinese baseball team participated the international baseball championship in Seoul in 1981, a senior Chinese official stated that China would attend the 1988 Olympic games in Seoul despite N.Korea's opposition. The official told reporters: "As a member of the Olympic movement we will go where the games are held"(37).

In the same spirit, China granted visas to expatriate Koreans holding S.Korean passports to visit their relatives in China, or for commercial purposes. Fifteen hundred did so in 1982, compared to 800 in 1981. A 76-year old man who had emigrated to Manchuria in 1940 and lived in Jilin province for 37 years was assisted to return to S.Korea by the S.Korean Red Cross, he was reported to have obtained permission from the Chinese government(38). Agreements even permitted Chinese fishermen to seek shelter from the weather in S.Korean ports, and another procedure existed whereby Chinese fishermen shipwrecked on the S.Korean coast were returned, without publicity, to the authorities in Hong Kong(39). Additionally,



at the end of 1982, China allowed 65 people from 47 families, to return to S.Korea permanently, and a further 23 people to return for temporary visits(40).

The S.Korean government was now ready to permit a Tokyo-Peking Air Route via S.Korean airspace. In testimony before the Foreign Affairs Committee of the National Assembly on November 11 1981 Deputy Foreign Minister Kim Dong-whie stated that the government would not oppose such a flight route for commercial aircraft. This suggestion had been made by the International Civil Aviation Organisation (Hereafter ICAO), to reduce flight time and fuel consumption. The Tokyo-Peking route, opened in 1974, detoured south of Cheju Island. A straightened out route, via S.Korean airspace, flight time would be shortened by one hour and twenty minutes, according to the Deputy Minister(41).

It is also noteworthy that Sir John Addis, former British envoy in Peking, often visited S.Korea, and he even anticipated the establishment of diplomatic relations between China and S.Korea in the near future(42). He emphasised that "it would be the right course of development." After talking with "responsible people in Peking", he had come to accept that China was exerting influence on N.Korea to deter another war on the Korean peninsula.

### **The First Official Contact, and Seoul's Debut of "Northern Policy"**

Against this background an unexpected opportunity arose to break the log-jam between Peking and Seoul. The first direct contact came about as a consequence of the hijacking of a Chinese civil airliner to S.Korea in May 1983, initiating a genuine breakthrough in relations between the two countries(43).

After the landing of a hijacked airliner of the Civil Aviation Administration of China (Hereafter CAAC) on an air field near Chuncheon, China was eager to resolve

the issue quickly, sending a team of 33 officials led by Shen Tu, Director General of the CAAC, on May 7, 1983(44). The Chinese officials together with the crew of their Boeing 707, unconditionally received 72 hour entry permits. From the S.Korean perspective, it was "the day that changed relations with China". The Chinese team carried out negotiations for the repatriation of the aircraft, its cargo, and the 106 passengers on board, directly with the S.Korean authorities, under the auspices of the US Embassy in Peking. It was reported that the US played a significant role in facilitating the negotiations which led to the Chinese delegation's surprising visit to Seoul.

According to S.Korean intelligence sources the hijacked airplane carried several officials of the Chinese Foreign Ministry as well as, ironically, an expert on China's nuclear development program. Thus, China wanted to resolve the incident as quickly as possible without the involvement of third parties, and this produced an official agreement under which the hijacked airliner, crew, and passengers were promptly returned to China(45). From a S.Korean point of view, it was important to avoid provoking the outrage of Pyongyang which had been evident, for example, in the N.Korean reaction in 1982 to the lucrative trade developing between Peking and Seoul. Taiwan made a strong protest referring to "Kowtow Diplomacy".

This incident provided S.Korea with an opportunity for its first official contact with China and implied significant political tolerance. Immediately after the hijacking of a Chinese airliner to S.Korea, China sent a cable message to the S.Korean authorities demanding direct negotiations in Seoul concerning the hijacked jet and passengers. In the cable, China officially used the official title of S.Korea, the "Republic of Korea" (*Hankuk* in Korean) for the first time since the establishment of the PRC in 1949(46). Shen Tu later expressed his thanks to the S.Korean authorities for their hospitality and humanitarian concern. In a memorandum signed by both sides on 9 May, which bear their official identities for



the first time, signed in the name of the "Republic of Korea" and the "People's Republic of China", thus implying a form of diplomatic recognition for S.Korea, they agreed to further cooperation should similar emergency situations occur(47).

The defections, at various time, of several Chinese pilots to S.Korea occasioned a practical need to deal officially with such situations now that it was very possible to do so(48). When Chinese aircraft hopped across the Yellow Sea to S.Korea, Seoul was flattered to be regarded as a sanctuary of freedom but, more importantly, it came to realise that the flights led China into active contact with S.Korea. When the hijacking trial took place in Seoul it seemed likely that Peking would be asked to send witnesses to testify in court, but the PRC appeared eager to leave it to S.Korea without any further involvement in the trial of the four hijackers(49). When, on 7 August 1983, a Chinese air force pilot defected, with a MIG-21 to S.Korea, Seoul said that she stood ready to respond to any approach from Peking, but not via a third party. On this occasion, China did not demand direct negotiations on the return of the plane, unlike the case of the hijacking. Instead, a spokeswoman from the Chinese Foreign Ministry simply said that they wanted the aircraft and pilot returned(50).

How would these unanticipated, open, face-to-face contacts affect S.Korea and her changing foreign policy towards China? Seoul hoped that these incidents would pave the way for substantial gains in the sense of a much broader contact with Peking, in line with diplomatic efforts which had been pursued for many years. S.Korea's former Foreign Minister Lee Bum-suk's address before the National Defence College on 29 June 1983, stressed a bold policy approach towards the socialist countries or "*Puk-bang-chung-ckaek*" [Northern Policy]. He placed the establishment of formal relations with China as the first priority in S.Korea's Northern Policy, the aim of which was to enhance Seoul's profile in the international community(51). He pointed out:

Our most important foreign policy goal in the 1980's is to prevent the recurrence of war on the Korean peninsula. And from now on, the most imminent task is how to create an advantageous and favourable diplomatic situation for the implementation of the "Towards North" policy, which means to normalise relations with the USSR and China(52).

In accord with such statements, Seoul immediately made further bold diplomatic advances towards communist countries. It is also noteworthy that S.Korea seized on Pyongyang's intransigence to forge links with pro-Pyongyang countries. For example, Pakistan, friend of China and sometime friend of N.Korea, chose to announce full diplomatic relations with S.Korea in November 1983.

As a consequence of the Chinese airline hijacking incident, the resulting covert inter-governmental negotiation between China and S.Korea clearly demonstrated that, although Peking could not formally recognise S.Korea, she tacitly acknowledged the existence of S.Korea on the Korean peninsula. It was one of S.Korea's most practical achievements, and seemed to favour the long term coexistence of the two Koreas. In June 1983 it was revealed that Seoul, Tokyo and Peking had reached an agreement the previous January on a new air route linking Fukueo in Japan with Shanghai. This permitted Chinese and Japanese planes, as well as three other foreign airlines, to fly through the Korean Air Defence Identification Zone (Hereafter KADIZ), beginning 5 August 1984(53).

### **The Cautious Chinese Reaction**

Contacts arising from these incidents could hardly be said to encompass the full range of normal interstate relations. Certainly S.Korean expectations regarding intergovernmental relations were disappointed. China was still highly sensitive to N.Korea's reaction to any move they made regarding the South. Indeed, China's readiness to send important officials to Pyongyang must have upset the N.Koreans.



For example, the immediate action taken by China after the hijacking incident was to send Foreign Minister Wu Xueqian to N.Korea to placate Kim Il-sung's fear of a possible China-S.Korea *rapprochement*(54).

China sought to mix continued expressions of firm support with efforts to nudge N.Korea in new directions. During Kim Jong Il's secret visit to China in June 1983, Hu Yaobang accompanied him on a tour of Chengdu and Nanjing, and Hu Qili, Secretary of the CCP Central Committee, travelled with Kim Jong Il to Shanghai and Hangzhou. Kim met the majority of the leading cadres of the CCP Central Committee, and members of the Standing Committee of the CCP Politburo and Secretariat. China also sent a delegation to N.Korea to participate in the 35th anniversary of the establishment of the N.Korean government in September 1983. The delegation was headed by Peng Zhen, a CCP Politburo member, and included Hu Qili(55). The importance which was accorded to Kim during this visit seems to indicate that the Chinese were ready to accept the North Korean succession arrangements.

Moreover, China stuck to its policy of barring S.Korean officials from international meetings in China. When Seoul made secret contact with the PRC's government concerning the Chinese First Off-shore Oil Conference and Exhibition in Guangzhou (Canton), held 23-27 November 1981 and organised by Wah-Chang International Company and the China Council for Promotion of International Trade (Hereafter CCPIT), a London-based News agency, S.Korea's application to attend was politely refused by Peking to avoid upsetting N.Korea(56). Peking also turned down the visa application made by a S.Korean official to participate in a geological training programme, held in Shandong Province under the auspices of UNESCO between May 20-June 9, 1983. Similarly China denied an entry visa to an official of the state-run Korean Electric Corporation (Hereafter KEC), who was going to attend a hydro-electric workshop at Hangzhou sponsored by the UN Industrial Development

Organisation between May 22-June 18, 1983. Furthermore, the UN Environmental Plan postponed a workshop, originally scheduled to be held in Guangdong Province, from 15 November-4 December 1982 because of the Chinese rejection of the official S.Korean delegation. Again, China refused entry to Lee Chang Yon, an official of the National Fisheries Research and Development Agency, a subordinate body of the Ministry of Agriculture and Fishery(57). He had been participating in an agriculture training programme in the Philippines sponsored by the Food and Agriculture Organisation, with the aid of the UNDP. Part of this programme was a month-long seminar on agriculture techniques in China.

S.Korea's patience apparently ran out when for the third time China refused entry to a Seoul official. When Lee Chang Yon's request was turned down, S.Korea's Foreign Ministry was furious, stating: "Their whole attitude is really farcical. We thought the Chinese would be more mature than the N.Koreans"(58). From the S.Korean point of view, Peking's explanation for refusing the visas (because Peking had no diplomatic ties with Seoul), sounded implausible. For example, China's relations with Indonesia had been frozen since 1969, yet Indonesians were allowed into China to attend the UN agency meetings. S.Korea was determined not to let China get away with a policy of discrimination justified by such a flimsy excuse. S.Korean officials pointed out that the USSR, like China, had close ties with Pyongyang, and was quietly but broadly responsive to Seoul's overtures(59). Lee Chang Choon, a prominent policymaker in the Foreign Ministry argued that, "considering S.Korea's membership of 15 specialised UN agencies since 1948, as a nation with pride and dignity, we cannot let China consistently belittle us in the international community." S.Korea's position had won some sympathy within various UN agencies. A circular issued on 30 June 1983 by the UNDP requested that the fundamental principle that all invited participants be allowed to enter the host country be firmly established before entering into any organisational or financial commitment between the two parties(60). According to Seoul's interpretation, this



statement was tantamount to saying that the UN agency should not give financial assistance or lend its name to any meeting at which the host government was not prepared to issue entry visas for all participants.

On the other hand, S.Korea could well understand China's difficulty in maintaining a balance between the two Koreas after the hijacking incident. To compensate for China's official contact with S.Korea in the wake of hijacking incident in 1983 Chinese Foreign Minister Wu Xueqian visited Pyongyang(61). As far as N.Korea was concerned, Seoul sought to save Peking's face. A scholar in Seoul said "Considering the N.Korean factor, Seoul should give Peking more time to deal with its allies in N.Korea. China is at a loss as to how to handle two Koreas simultaneously"(62). Faced with the Chinese passivity, but committed to the ambitious *Puk-bang-chung-ckaek* [Northern Policy], Seoul was apparently inclined to follow the same formula adopted in the hijacking incident.

It was indirectly reported that S.Korea had been asked by Peking to keep the reconciliation process between them discreet, for fear of provoking Pyongyang(63). In effect, this amounted to asking Seoul not to openly chastise Peking regarding its dealings with Seoul. In response, Foreign Minister Lee Bum Suk cautiously pointed out that maturity and confidence would mark S.Korea's diplomatic posture regarding *detente* with the major socialist countries(64). Finally, in August 1983, Peking issued a visa on separate sheets of paper to S.Korean government official to attend a UN-sponsored training programme in China. This was the first time a S.Korean public official visited China for any reason.

After the USSR shot down the Korean Airliner KAL 007 in October 1983 with the loss of all on board, China issued a statement in the name of the All-China Federation of Taiwan Compatriots expressing condolences to the families of the Taiwan compatriots killed. Shen Tu, Director General of the Chinese Civil Aviation

Authorities, also sent a private message of sympathy to his counterpart in S.Korea as saying "We wish to express our condolences on the demise of the victims and sympathy to the bereaved families"(65). Nevertheless, China remained aloof from the well-orchestrated indignation. Chinese press comment on the KAL incident was extremely restrained, and, in the Security Council, China abstained in the vote condemning the USSR(66).

At the End of 1983 S.Korea cautiously reviewed its relations with China which had been hostile since China intervened in the Korean war 30 years before. A series of events in 1983 provided the two countries with hopes for better relations despite their ideological differences. The two countries had their first official contact in May to discuss the repatriation of a hijacked Chinese aircraft and its passengers. Then Peking allowed S.Korean officials to enter its territory for the first time to attend international conferences. The diplomatic and political barrier between the two countries still existed, however, as was shown by the case of a Chinese Air Force pilot's defection to Taiwan by way of S.Korea(67).

### **The Impact of the Rangoon Incident, and Pyongyang's Flirtation with Moscow**

China's ambiguous political stance on the Korean peninsula was not effective, as a peace-keeping strategy. This was made clear by the N.Korean responses to the improved Chinese relations with S.Korea which had resulted from the hijacking incident. First there was the dramatic and unexpected violence of the Rangoon incident in October 1983, which killed several S.Korean cabinet ministers including Lee Bum Suk, the chief exponent of *Puk-bang-chung-ckaek*. Then there was Pyongyang's flirtation with Moscow, regarded by Peking as a very dangerous development which was critically dangerous to the region.



Pyongyang was firmly resolved to prevent contacts between China and S.Korea - at any level, but the Rangoon incident set in motion political consequences very different from those N.Korea had anticipated. Ironically, the bombing occurred a day after the Chinese leadership had passed N.Korea's message to the US seeking direct contact with Washington(68). The N.Korean action flew in the face of Peking's repeated reassurances to the US and Japan that Pyongyang posed no military threat to S.Korea, and N.Korea broke their promise to China that N.Korea would not use force against S.Korea except in self-defence. As a result, the US and Western countries came to regard N.Korea as one of the most dangerous terrorist countries in the world, issuing strong statements of condemnation(69). The death of S.Korea's Foreign Minister Lee Bum Suk, moreover, who had been the chief architect of their Northern Policy with regard to the third world, especially India, seemed unwelcomed by China.

The US Department of State had turned down a request made in 1981 by the N.Korean observers at the UN for permission to travel to Washington, D.C. to attend an international trade conference jointly sponsored by the UN and the World Bank. Subsequently, discussions held in 1983 between China and the US regarding developments on the Korean peninsula, had led to Peking helping to arrange the inauguration of low-level diplomatic contact between the American and N.Korean embassies in Peking(70). Regarding the improvement of relations between the US and N.Korea via China's intermediacy, Lee Bum Suk had stressed, when he visited Washington in May 1983, that the US should co-ordinate its strategy towards China with S.Korea's geopolitical and geoeconomic designs. He also suggested that the US should contact Pyongyang at the lowest levels with Seoul's full knowledge and agreement(71). This had been welcomed by Peking, both to secure the *status quo* on the Korean peninsula.

Given the S.Korean desire to improve relations with China it was important that they be seen to exculpate China from any involvement in the Rangoon bombing despite Burma exploiting China's alleged role in Rangoon bombing(72). S.Korea insisted therefore that the Rangoon incident was part of N.Korea's accustomed aggressive pattern: provoking tension on the Korean peninsula without consulting Peking. President Chun said in a special statement that "this N.Korean provocation is tantamount to a declaration of war", and warned that S.Korea would respond to another such act with retaliation(73).

As it turned out, the Rangoon bombing did more to encourage than to discourage S.Korea's relations with China. China's subsequent public comments to N.Korea warned of extremely severe political consequences between them if the North acted again in a manner grossly contrary to its repeated reassurances of peaceful intent(74). For instance, on 6 November 1983 RMRB said that Peking agreed with the official Burmese accusation that N.Korea was responsible for the bombing. During his visit to Japan later in the month, Hu Yaobang stated: "China... holds that whatever actions are likely to aggravate tension [in Korea], no matter where they are from, should be avoided"--as close to a dissociation from the N.Korean action as Peking could come under the circumstances(75). China was anxious to persuade N.Korea to join the international society; encouraging the leadership to end decades of violence and militarisation on the Korean peninsula.

N.Korea had made several overtures to the Soviets at the beginning of the 1980's, but these were ignored until the succession of Yuri Andropov as General Secretary in late 1982. N.Korea tilted noticeably towards the USSR following the Rangoon bombing in October 1983 and the Soviet downing of the KAL in the same month. High level contacts, including three rounds of talks between Kim Il-sung and Konstantin Chernenko in Moscow during May 1984, resulted in expanded Soviet trade development, as well as significant sales of advanced Soviet weaponry(76). The



Soviets also gained access to N.Korean airspace, which enhanced Soviet air-strike capabilities, and to its ports, which were described in a 1984 Soviet military manual as "fully integrated" into Soviet Far East Asian strategy(77).

Closer Soviet-N.Korean ties were reflected in increased N.Korean support for Soviet foreign policies and greater public Soviet support for key N.Korean policy positions. Pyongyang provided strong rhetorical support for Moscow's denunciations of an alleged "US-Japan-S.Korean military axis", echoing N.Korea's steady stream of ominous warnings about the imminence of war and the US nuclear threat to N.Korea. Such warnings were almost ignored by the Chinese. The Soviets, for their part, stepped up their condemnation of the annual US-S.Korea "Team Spirit" military exercises.

Unlike the USSR, although the Chinese uttered occasional criticisms of the annual Team Spirit exercises between US and S.Korean forces, these criticisms were generally low-key. For instance, while visiting Japan in March 1984, Vice Premier Wan Li stated that "We hope that S.Korean and American troops stationed in S.Korea will not launch military actions against China"(78). Thus, China tacitly acknowledged that they would not call for the withdrawal of US forces on the peninsula. By implication, the Chinese recognised that the US forces remained a stabilising element on the Korean peninsula, to which the PRC no longer took strenuous exception.

China began to actively pursue efforts to reduce tension on the Korean peninsula, consulting with the US and Japan for this purpose, and making clear China's support for the tripartite talks proposed by N.Korea(79). The Chinese attempted to put across the message that N.Korea was willing to develop better relations with the US and Japan(80). Deng Xiaoping gave assurances during his talks with Japanese visitors that on the Korean issue China supported the proposal

for a peaceful reunification of Korea put forward by N.Korea, and China would work for a peaceful solution to the Korean issue and favour a settlement through negotiations(81).

Despite Peking's concern about N.Korea playing the "Soviet card", seeking and receiving increased military and economic support from the USSR, there was no retrenchment of China's unofficial and business contacts with S.Korea. Both China and the USSR wanted to maintain peace and stability on the Korean peninsula, but, with a conservative Soviet leader in power, China appeared to have a stronger interest than the USSR in keeping a balance between the North and the South in order to devote all its resources to the pursuit of economic modernisation and reform. This led to a positive Chinese attitude regarding S.Korea's efforts to improve relations with them, resulting in the intensification of the policy of "unofficial contacts", involving sports exchanges, contacts with S.Koreans in international fora, family reunification visits, and a burgeoning trade relationship. The President of the S.Korean Red Cross, Yu Chang-sun, proposed in a letter sent in April 1984 to Qian Xinzhong, president of the Red Cross Society of China, that China allow Korean residents in China to visit their relatives in S.Korea, and *vice versa* as well as discussing other humanitarian matters of mutual concern(82).

While the N.Korean flirtation with the USSR was regarded by China as an irritant, rather than an immediate threat, it was nevertheless a dangerous disturbance to China's pursuit of regional stability. Peking began to make more positive responses to Seoul's overtures. For instance, on 25 February 1984 a S.Korean tennis team was allowed to compete in the Davis Cup Eastern Zone Elimination Games in Kunming(83).

It was also reported that two Korean journalists and six soccer officials visited China to attend the general meeting of the Asian Football Confederation (Hereafter



AFB)(84). In addition, a 24-member Chinese team participated in the Eighth Asian Junior Basketball Championship Games held in S.Korea, at which Taiwan was also competing. This caused problems in protocol between Seoul and Taipei due to S.Korea's decision not to permit the ROC's national flag and anthem; Taiwan at once withdrew its teams from the Games. The Olympic Council of Asia held its plenary meeting in Seoul from 27-31 September 1984, and chose Peking as the venue for the 1990 Asian Games, S.Korea having helped Peking lobby members in support of China's candidacy(85). It was also reported that two leading local provincial officials arrived in Seoul to participate in the international conference on agriculture in December 1984(86).

In effect, Peking had become considerably more active in the balancing act between the North and the South. As stated by Foreign Minister Wu Xueqian in April 16 1984:

The present problem is to encourage the parties involved in the tension on the Korean peninsula to enter into talks about ways in which tension can be relaxed there... North and South Korea are parties directly involved in the tension... as is the US, which stations troops there. We are willing to help from the sidelines to encourage both the North and South Koreans to enter into talks for peaceful reunification and to discuss ways to relax tensions in Northeast Asia. In short, we are willing to do whatever is in our capability. But we cannot say that China can play a prominent role. China supported N.Korea's proposal for tripartite talks and is willing to do something from the sidelines which is conducive to the peaceful reunification of Korea and to the relaxation of tensions in Northeast Asia(87).

China was thus publicly supporting the N.Korean proposals for the reunification of the peninsula, but in practice they had not advanced much beyond vague statements about creating an environment for dialogue on the peninsula.

### **The Impact of the Japanese Textbook Controversy**

Looking at Japan from the Chinese and S.Korean perspective, the most sensitive of the standard issues in their perception of Japan is a deep fear that Japan might seek a level of militarism or ultra-nationalism commensurate with its economic power. For many decades both China and Korea perceived Japan as a potential threat in terms of the Japanese desire for influence on and direct control of the Korean peninsula. When, in June 1982, a controversy was sparked by a report in the Japanese press that material was shortly to be introduced for use in Japanese secondary schools which described earlier Japanese aggression against Japan's neighbours as "advances", and the Korean independence movement of 1919 as a "riot", the issue was taken up by the media in China and then spread quickly to S.Korea; both recalling the record of Japanese past aggression(88).

When the Japanese government refused to accept official complaints from the Chinese and S.Korean governments because of domestic pressures, the reaction in both China and S.Korea was swift and hostile. This issue brought to the surface the powerful, historically-rooted, anti-Japanese feelings, that for decades had never been more than just beneath the surface. This shared reaction was particularly timely in improving relations between China and S.Korea, there being in both countries a deep-seated fear of Japanese militarism, and a perception of right-wing sentiments in Japan increasing in proportion to economic strength. This shared position lent urgency to the reconciliation of their differences.

In 1984 the issue again flared briefly because of the disclosure of a Japanese Ministry of Education document, revealing that the ministry had made a number of controversial recommendations for alterations to a particular history textbook. It had, for instance, advised that either "assault" or "advance" should be used as the standard word to replace "invasion". When the Japanese published a new series of history textbooks for school use in 1984, the Chinese and S.Koreans expressed dissatisfaction that so little had been done to accommodate their grievances; and



again, as after the 1982 controversy, the issue was widely debated in the press of both countries(89).

Japan's textbook distortions of 1982 and 1984 provided China and S.Korea with a subtle mutual consensus. The textbook imbroglio, official visits to the *Yasukuni Shrine*, and other events symbolic of past Japanese militarism, had evoked shrill warnings of what the future might hold if this tendency was not kept carefully in check. Throughout the summer of 1984 a proliferation of articles condemning the distortion of historical facts in Japanese textbooks filled Chinese and S.Korean newspapers and journals. They strongly expressed their common disapproval of the efforts, by some conservative and nationalistic groups in Japan, to publish textbooks which exonerated Japanese colonialism and expansionism in Asia during the first half of the century, and downplayed Japanese atrocities during World War II. Many such articles accused those responsible for the books of attempting to rekindle Japanese militarism(90).

S.Korea was particularly disappointed by the Japanese Emperor Hirohito's choice of words in describing as "the unfortunate past" and "regrettable" the suppression of the Korean independence movement and the forced transportation of Koreans to Japan in his memoirs. During President Chun's visit to Tokyo, in September 1984, the Chinese strongly criticised the "reemergence of Japanese militarism" at the expense of the PRC suggesting that Japan considered that the PRC, had become a source of hostility to Japan when it sided with N.Korea(91).

In this light it can be seen why the domestic turbulences in China, such as the crack-down on reformers in 1979, the anti-bourgeois liberalisation campaign in 1981, and the anti-spiritual pollution campaign in 1983-1984, did not have much influence on Chinese-S.Korean relations. Premier Zhao Ziyang made China's position quite clear in advance of his visit to the US in January 1984. He said: "The

Chinese people are preoccupied with the modernisation programme, which requires a durable peaceful international environment". He continued: "To this end. ... the general principle of China's foreign policy is to establish and develop friendly relations with all countries"(92).

### **3.2 Economic Relations**

Although commercial incentives existed for economic relations between China and S.Korea, and since the early 1970's a basic trade framework had developed, there was a need to move towards more constructive economic relations. It was in December 1978 that the Chinese leaders adopted a bold reforming policy aimed at attracting technology and capital from their neighbouring countries to speed-up modernisation. From the late 1970's then this "open-door" policy of actively pursuing foreign trade and seeking foreign capital and investment, laid an appropriate theoretical base for relations between the two countries resulting in the growing integration of economic relations between China and S.Korea in the Northeast Asian region.

#### **The Basis of the New Economic Relations**

The Third Plenary Session of the Eleventh Central Committee in December 1978 made the strategic decision to open up to the outside world in order to invigorate the domestic economy. This initiated fundamental changes in the economic system, admitting much greater influence by the outside world, most notably by S.Korea. Soon after the decision was taken substantial economic relations developed between China and S.Korea.

Priority was given to promoting both international trade and technology transfer as instruments of modernisation. This was officially written into the party



constitution (Eleventh Congress, 18 August 1977) and the state constitution (Fifth National People's Congress, 5 March 1978). In addition, the Third Plenary Session of the Eleventh Central Committee of the CCP (Hereafter CCPCC) in December 1978 refocused the domestic economic perspective of the Chinese leadership; Hua Guofeng's Ten-Year Development Plan was abandoned in favour of new economic development and modernisation, including major changes in agricultural policy and a relaxation of controls over privately owned businesses. More emphasis was given to "Zhuan" (professionalism) than to "Hong" (ideology) in economic reform, in the spirit of "Shi-shi-qiu-shi" (seeking truth from facts); society was granted greater freedom from the state, the economy greater freedom of planning, the government greater freedom from the party; and intellectual and cultural life greater freedom from ideology(93). As Robert F. Dernberger says, it represented "a wholesale rejection of the Maoist economic ideology"(94).

In terms of foreign policy, Deng Xiaoping referred to the new open door policy as "the Second Revolution":

"While we have achieved political stability and unity..., we are now...actively expanding economic co-operation in terms of equity and mutual benefit with other countries on the basis of self-reliance, striving to adopt the world's advanced technologies and equipment and strengthening scientific and educational work to meet the needs of modernisation"(95).

Deng Xiaoping's much-vaunted commitment to economic pragmatism laid the basis of a new order of economic relations with S.Korea, which would exploit the potential economic complementarity between China and S.Korea. This placed S.Korea in a vital position with respect to China's economic modernisation. Sino-S.Korean economic relations benefited from many factors in comparison with China's other economic partners. Geographic proximity and the consequent ease of sea-borne commerce, linguistic complementarity, historical familiarity with local conditions, and the S.Korean focus on Government-Business coordination in the industrial

sector; all were factors which contributed to the success of trade between the two countries.

Failure to develop contacts with S.Korea would make the achievement of China's opening-up policy costly and uncertain, China therefore studied S.Korea's development strategies, both for planned and market economics, and in consequence implemented a similar, though somewhat modified, strategy employing substantial state intervention in the economy, including credit allocation and trade quota allocation. During 1978 a number of high-level Chinese officials began to mention S.Korea's economic growth and potential. In that year the Chinese Academy of Social Science (Hereafter CASS) established a small research group, under its Institute of World Economy and Politics, to study the developmental model of S.Korea's economy(96). Moreover, when Deng met the Japanese Prime Minister Ohira in February 1979, he seemed to have become more aware of the economic potential of S.Korea(97). Even though Deng's remarks were aimed at encouraging Japanese investment for China's modernisation plans, they clearly heralded the development of relations between China and S.Korea subsequent to 1978.

In practice, as was pointed out by scholars in the West, the Chinese government was most interested in establishing special trading zones, along the lines of the successful free economic zones in S.Korea. China contained a poor but extremely hard-working population that potentially could follow the path blazed by the Newly Industrialised Countries (Hereafter NICs). In doing this, China offered greater autonomy and incentives to managers; she decentralised management of foreign trade, and established the so called "Special Economic Zones" (Hereafter SEZs) in coastal areas to attract foreign investment(98).

### **S.Korea's Tentative Attitude**



On December 1 1978 Kim Kyung-won, special assistant to President Park Chung-hee, said that S.Korea's technology and capital would help China to make improvements in human resources that had received low priority throughout the entire prereform period, and would also engender a new stage in the evolving multipolar division of international trade and investment which had resulted from a combination of rapid and sustained advances in technology, and the implementation of more open policies(99). At the same time, Foreign Minister Park Dong-jin made it clear that "the government will not prohibit any commercial activities with communist countries with which they have no diplomatic relations"(100). After China's reform of the foreign trade system more than 80% of her trade came to be with non-communist countries, mainly the US and Japan; Seoul's know-how and technology from Japan were fundamental to this change(101).

S.Korea developed its multifaceted policy towards China in parallel with the changing economic circumstances and the emergence of a new leadership in the CCP during 1980. Although President Chun drew his basic support from the military, his economic policy showed that he was prepared to rely on and support civilian advisers. For example, he appointed Nam Duck Woo, an expert in foreign policy decision-making, as deputy prime minister, minister of the Economic Planning Board (Hereafter EPB), and special advisor on economic affairs to the Presidency. Nam stated that S.Korea was prepared to act as an intermediate trading partner between China and the US and that transit via N.Korea should be discussed for this trade, thus demonstrating S.Korea's commitment to rapid economic growth and outward-looking economic policies(102). He clearly stated in his interview with Time magazine that the S.Korean government was willing to develop economic ties with China regardless of ideological harassment(103). These statements from Seoul were intended to coincide with China's open-door policy to the outside world emphasising economic development.

Such S.Korean efforts seemed to be welcomed by the Chinese reformist leadership, who were anxious that their reforms should proceed, while maintaining the peace on the Korean peninsula. A long-term political chasm had persisted within the Chinese government, both factions being in search of a theoretical foundation to support economic reforms. From 1978 onwards the reformists' victories became more frequent, notably with the replacement of Hua Guofeng as premier by Zhao Ziyang at the Third Session of the Fifth National People's Congress (Hereafter NPC) in August-September 1980. Such victories laid the foundation for cooperation between China and S.Korea during the 1980's.

Hua also resigned the chairmanship of the CCPCC, this position being filled by Hu Yaobang at the Sixth Plenary Session of the Eleventh CCPCC in June 1981. The new leadership of Deng-Hu-Zhao reflected not only the open-mindedness of China's government at the time, but also the growing professionalisation and institutionalisation of foreign policy-making processes in Peking, and elevation of pragmatism and open-door policies to the principal agenda of the four modernisations programme(104). On 14 December 1980 Hu Yaobang, in an interview with the official newspaper of the Greek Communist Party, commented that "China's open-door policy is based on the developmental experiences of Yugoslavia, Rumania and S.Korea"(105). In the same month, Zhao Ziyang said in an interview with Yugoslavian reporters that "China is in fact studying the experiences of S.Korea's economic development"(106).

### **Hong Kong as the Middleman between China and S.Korea**

Hong Kong's role in trading with China, already very substantial, became more valuable when China began to open up to the outside world, most decisively under the reformist open-door policies of Deng Xiaoping from 1979 onwards. At this point, Hong Kong came into its own as a major commercial outlet for China itself. Hong



Kong middlemen, skilfully exploiting their familiarity with Western technological and economic resources, brought them within reach of a Peking bureaucracy anxious to acquire them. Late in 1979 and during the early 1980's S.Korea's trade with China was mainly indirect open trade in the form of re-exports from Hong Kong, Singapore, and Japan. S.Koreans used various intermediaries: American, Japanese, and overseas-Chinese general trading firms; Hong Kong trading companies which had contacts with S.Korean trading companies; and trading firms owned by expatriate Koreans(107).

In the trade between China and S.Korea, Hong Kong surpassed other intermediaries in economies of scale in the provision of trading services. The Chinese-S.Korean trade can be traced through official figures available in Hong Kong. S.Korea understood that the most plausible way to pursue such trade was through the Hong Kong offices of S.Korean trading companies. Hong Kong became increasingly important as a centre for services. Although Hong Kong was strategically more closely situated to China than alternative options, location was not as decisive as economic efficiency in the provision of trading services. In line with the "theory of *entrepot* trade", Hong Kong may be designated as the intermediary in S.Korea's trade with China, goods being imported and re-exported without incurring duty, owing to Hong Kong's free port policy. Hong Kong's intermediary role can be categorised from the S.Korean perspective as a trading partner, middleman and facilitator of trade and investment(108).

Hong Kong's role as intermediary in commodity trading between China and S.Korea continued to grow due to the benefits and low costs of trading there, despite the fact that since the development of the open-door policy in 1979 China had established many direct diplomatic, commercial and transportation links with the outside world(109). The sharp rises in China's indirect trade with S.Korea in 1979 and 1981 resulted from the use of middle-men and third parties in efforts to obscure

product destination through Hong Kong, those being essential to the continued flow of items from both countries at this stage(110). According to Nicholas R. Lardy, Hong Kong's role in China's foreign trade was transformed from being simply a distribution point, to become their biggest trading partner. It became possible for S.Korean businessmen to deal indirectly with their business or official economic counterparts in China with equal effectiveness as if these had been direct contacts, consistent with the theory of entrepot trade(111).

For example the S.Korean state companies, KOTRA and KTA, established many subsidised companies in Hong Kong and sought to establish their regional office headquarters there due to Hong Kong's role in international trade between China and S.Korea. In the mid 1980's S.Korea invested large sums of money in Hong Kong, whereas other foreign firms in Hong Kong began seeking business opportunities elsewhere(112). As long as the largest share of indirect trade between China and S.Korea was through Hong Kong, it was obvious that S.Korean conglomerates would expand their subsidiaries in Hong Kong in order to trade with China(113).

Although many S.Korean businessmen had been in Hong Kong to trade with China, Hong Kong being the main gate for contact with the Chinese, and had there been using the Cantonese language, with the prospect of direct trade becoming important they now sought to learn the Mandarin that was used on the mainland. Over thirty Universities in S.Korea opened new departments of Chinese language, aiming to cultivate talented experts in Chinese affairs. Simultaneously, hundreds of postgraduate S.Korean students travelled to Taiwan to study Mandarin. In 1984 there were over one thousand students in Taipei, including businessmen, government officials, and self-supporting students taking short-term language courses, notably including those studying at *Guo-yu Zhong-xin* (The Centre for Chinese Studies) at the Taiwan National Normal University. This passion among the



S.Korean people to learn Chinese, and to study Chinese affairs, gave rise to what may fairly be described as a "China Boom."

### **Person-to-Person Contacts**

While China and S.Korea seemed to be satisfied with this indirect method of trade between them, they needed to open practical lines of communication between their countries in order to trade easily with one another. Unlike the case of Taiwan, the absence of political and direct trade relationships did not prevent S.Korean companies from seeking to establish long-range investments and a variety of forms of technical cooperation with China(114).

Many small- and medium-level S.Korean businessmen, not to mention the *chaebols* or major entrepreneurs, became involved in trade with the Communist countries. Even though S.Korean businessmen insist that they had their own independent plans to trade with or start up joint ventures in China, in practice these plans resulted from the active encouragement of the S.Korean government, which, in its efforts to establish trade with China, developed many forms of promotion and regulation for this new market. The S.Korean economy depends upon a close cooperation between the *chaebols* and government leaders, to ensure investment capital for the risks associated with new production, and to coordinate direct government initiatives to assist in the establishment of overseas markets. The government utilised many appropriate agencies, such as KOTRA and FKI, as well as holding regular meetings with business executives, to forge the ongoing partnership between government and business(115).

S.Korean businessmen were prepared to gamble on investment and trade with China(116). In many respects the desire for contact with Peking was fuelled by S.Korea's ambition to be perceived as a great industrially advanced capitalist

country by the end of century. A catchword was "*Hae-oye-si-chang da-byen-hwa*" [diversify trading partners]. The S.Korean government's fifteen-year programme for economic development envisaged a rise in GNP to a level of US \$250 billion in 1984, ranking them within the top 15 nations of the world. In addition, foreign trade turnover was projected to rise to US \$243 billion, placing S.Korea among the world's top ten exporters(117). These plans lent confidence to S.Korean businessmen in exploring cooperative relations with China.

The Chinese affirmed that they would discuss the S.Korean trade only with people they trusted, so that S.Korean businessmen, including high-ranking executives from major trading companies, were anxious to establish cooperative relations with China through personal contact. Although S.Korea was used to trading indirectly with China through Hong Kong, a similar systemic structure existed in Chinese and S.Korean firms that were defined by closed or concentrated ownership, i.e., an owner-manager structure or state-appointed bureaucratic management, and this encouraged S.Korean businessmen to believe in the possibility of making an individual breakthrough into Chinese markets(118). The Chinese exploration of commercial incentives, in line with S.Korean practice, accelerated interpersonal contacts between Peking and Seoul, mainly involving businessmen and unofficial politicians in S.Korea.

The Chinese slogan "*Xian-youhao hou-maoyi*" [first friendship, then trade] gave S.Korea some encouragement in seeking interpersonal contact for trading with China(119). China's economic modernisation primarily focused on the attraction of direct foreign investment under the terms of the Joint Venture Law, giving high priority to light industry and relaxing restrictions on individual entrepreneurs. Despite the restrictions implied by the narrow definition of Direct Foreign Investment (Hereafter DFI) there were nevertheless noticeable indications that S.Korea had increased trade with and investments into China(120).



An important diversification of China's trading system resulted from the authorisation of local authorities and groups of specialised enterprises to carry out foreign trade transactions. They, in turn, set up a large number of new Foreign Trade Corporations (Hereafter FTCs) and began to look for business opportunities elsewhere(121). According to Xinhua, in an interview in Peking, Wang Guangying, chairman of the National Committee of the Chinese People's Political Consultative Conference, said that his corporation was prepared to do business with foreign firms that the Chinese government does not deal with "for instance, some of the countries that have no diplomatic relations with China"(122).

In this regard, Shandong and Liaoning province had the best prospects for promoting links with S.Korea. For instance, Shandong province ranked sixth highest among the 28 provinces, in terms of the total value of foreign investment up to 1984 with US \$62.01 million(123). Significantly, in September 1981 the Chairman of the People's Institute for Foreign Affairs in China was reported as saying that in reality China conducted trade with S.Korea through Shanghai, rather than Hong Kong. The Chairman said this when he met Japanese Diet member Oki Hiroshi, of the Liberal Democratic Party, who was invited to Peking by the Institute. This was the first time that such a high ranking Chinese official acknowledged the existence of such trade(124).

Since the late 1970's, the Chinese authorities had permitted contact with S.Korean businessmen at international events. Also, some members of the Korean community living in China who wished to visit S.Korea were granted entry visas. Based on information gathered in this way it would appear that there were several secret visits by S.Korean businessmen to China via Hong Kong. It was reported that Kim Woo-choong, chairman of the Daewoo Corporation (one of the biggest S.Korean conglomerates), had visited China as early as the early 1980's, and several times

since, in order to assess the possibility of joint ventures(125). His personal salesmanship played a part in the well-known story of Daewoo's dramatic success(126).

Additionally, many S.Korean businessmen based in the US and Japan had also been to China, and trade officials from Peking had come to S.Korea, attempting to make direct, personal contact(127). It is likely that there were a number of meetings between the Chinese and the S.Koreans for the purpose of resisting protectionism by the advanced industrial countries. In July 1984, Lee Ki-joo, who directed Seoul's position at the Multifibre Arrangements (Hereafter MFA) meeting, discussed with a Chinese delegate to the MFA, the establishment of an international textiles and clothing bureau in Karachi. Both countries' representatives in this bureau met publicly to promote cooperation in resisting protectionism by advanced industrial countries (mainly the US), and to enhance their personal relationship with each other(128). On 1 March 1983 China and S.Korea exchanged television programmes for two minutes via a Japanese satellite. This first publicised cultural exchange between their countries was arranged as a test to prepare for a TV news exchange programme, named "Asiavision" among members of the Asian Broadcasting Union (Hereafter ABU)(129).

Personal contacts for business purposes in China were, however, less than entirely successful. In the first place, the prospects for direct interpersonal operations between the two capitals were still unpromising. And, whereas the Chinese stuck to selective low-key contacts that served their interests, so long as these did not aggravate the N.Koreans, the S.Koreans had a tendency to publicise the contacts for their own domestic political purposes, in the same manner as they had with the Russians(130). At the same time, S.Korean businessmen making personal contact with the Chinese had very little information relating to the political system between central and local governments, or between party officials and



administration officials; they didn't even understand the way contacts should be ratified between them. A typical case which illustrates the difficulties which faced S.Korean businessmen concerns a S.Korean company specialising in shipbuilding and construction, which first made contact with China in 1982, offering to build a cement plant in Fujian province. Not until late in 1984 did three executives of the company receive, and accept, invitations to visit Fuzhou, Fujian; and they later travelled to Shandong province. In Shandong they were hosted by the China Council for the Promotion of International Trade (Hereafter CCPIT), and even managed to secure a tentative contract to build a new harbour in that province. But after the Korean businessmen returned to Seoul their journey was reported in the S.Korean newspapers. As a result their correspondence was not returned and the project was dumped by the Chinese(131).

When in March 1982, the Chinese Ministry of Foreign Trade was combined with the Ministry of Foreign Relations, and renamed the Ministry of Foreign Relations and Trade (Hereafter MOFERT), an official stated privately that they were not properly able to understand the administrative approach of policy-makers in China. Many S.Korean businessmen have been confused by the structure of Chinese management organisations, being unable to draw a clear distinction between authority-oriented and market-oriented aspects of the trade system. As long as there was no practical, systematic change in the method of trading between their countries, S.Korea realised that interpersonal contacts and commercial links to China were far less advanced than had been anticipated.

### **"Open-Secret" Trade**

Economic relations between China and S.Korea from the late 1970's up to the middle of 1980's had been publicised by several Western sources. Before 1978 trade between Seoul and Peking was certainly not a matter of public record. Subsequently

it picked up sharply taking the form of secret two-way trade via third parties, mainly Hong Kong, in order to avoid provoking their jealous neighbour N.Korea. On 18 December 1978 the Chinese Minister of Foreign Trade, Li Qiang, hinted in an interview in Hong Kong that "China may have to consider having indirect economic contacts with S.Korea", and in Seoul this was considered to be an "open secret"(132).

Three sources have publicised the pattern of development trade between S.Korea and China: Although two-way trade posed substantial difficulties due to the non-existence of diplomatic relations, during this period there occurred a major breakthrough in economic relations. Many of the goods were being shipped directly between Chinese and S.Korean ports, their destination being disguised through false documentation(133).

In the early 1980's Moscow launched a loud campaign against Peking's trade relations with Seoul. Soviet propaganda attacked China for trading with S.Korea, not merely indirectly, through Hong Kong and Singapore, but directly, using Chinese cargo vessels flying the PRC flag(134). The USSR asserted that the trade figure in 1980 approached US\$600 million, and that it would approach US\$1 billion in 1981(135). At first neither Seoul nor Peking acknowledged this rumour, then on 11 March 1981 Xinhua denied the existence of Chinese-S.Korean trade, and accused the USSR of spreading a pure fabrication. On the same day the Chinese Ministry of Foreign Affairs denied that their coal went straight to S.Korea. At the UN, a Chinese diplomat also denied the reports with a press release entitled "Rumour about China Conducting Trade with South Korea and South Africa Refuted." Vice-Premier Ji Pengfa was said by Xinhua to have told Ibrahim Ayyub, the visiting Jordanian Minister of Supplies, that the rumour that China was trading with S.Korea was a sheer fabrication aimed at sowing dissension between China and her friends. Denials were also made by other sources(136).



The Chinese economic reforms provoked growth in demand for all types of products, so that demand generally outstripped supply. Seoul's manufactured goods were exchanged for Peking's primary products, i.e., food products; and electrical goods, including television sets and refrigerators, were exchange for coal, malze and cotton(137).

The main commodity which S.Korea imported from China was coal and this played a crucial role in providing the impetus for the development of constructive trading relations between China's local provinces and S.Korea. It was reported that Seoul had been buying over 200,000 tons of coal annually from China's northeast provinces(138). The Pohang Iron and Steel, launched by the S.Korean government in 1973, was rated in 1983 as the world's most efficient producer of steel by Iron Age magazine. In 1984, S.Korea's steel industry exported 40% of its total production, about US\$2 billion worth of steel(139). To sustain such a success story they needed to find the coal from foreign markets.

Surprisingly, between the late 1970's and 1982, coal moved directly from China to S.Korean ports, although the arrangements were made through brokers in Hong Kong. The port of destination of these shipped goods was secret-details were not written down, but the exporters were aware of their true destination(140). Initially ships were required to call at ports in Japan before proceeding to S.Korean harbours. Direct shipping of coal and other products began from the Chinese ports of Qingdao, Dalian, Tianjin and Shanghai, to Pusan, Inchon, and Pohang and also to power plants along S.Korea's West coast(141). While some of the indirect coal trade between China and S.Korea operated via third-country vessels, some also arrived on S.Koreans ships flying Liberian or Panamanian flags. By 1981 coal to fuel S.Korean cement plants was arriving in Chinese vessels at a port north of Pohang on S.Korea's east coast, though the crews were not allowed ashore(142).

Another development occurred on 11 April 1980 when S.Korea and the US agreed to grant each other traffic rights, during a three-day bilateral aviation conference held in Washington. S.Korea authorised U.S. commercial aircraft to fly to China via Seoul; S.Korea was thus able to send goods directly to China without making U-turns in between destinations(143). Telephone services were not opened between China and S.Korea, although connections, via London, between the USSR and S.Korea had been established in the late 1970's(144). The trade between China and S.Korea could therefore no longer be considered as any kind of secret.

Such failures in maintaining secrecy typically resulted in complaints to China from N.Korea. Pyongyang protested about the development of a sizable trade between China and S.Korea in 1980 and 1981, and this was undoubtedly one of the factors involved in the sharp fall in trade from US\$218.8 million to US\$149.4 million in 1982(145). After complaints from Pyongyang, Peking detained fourteen merchant ships that were carrying S.Korean goods. This set-back in economic relations between China and S.Korea did not last long; exports to S.Korea were temporarily reduced, as a sop to conservative forces within the CCP, but the declared suspensions were never made permanent. As long as China's modernisation had a high priority on the national agenda, they needed S.Korea more than S.Korea needed them.

Although China continued to affect official ignorance of its trade with S.Korea it is manifestly clear that economic relations between the two countries improved dramatically during the early 1980's. Apart from large quantities of medium-grade coal, routed via West German, Japanese and American companies, the Chinese also exported selected food products, textile, yarn, peanuts, and organic chemicals. S.Korea exported electrical and electronic goods primarily, such as refrigerators and television sets, as well as textile fibres and fertiliser. Chinese orders for S.Korean



television sets was placed through a Japanese company with instructions that the appliances should be labelled "made in Japan".

Although this trade was still being referred to by many scholars in the early 1980's as "indirect trade", in practice the bulk of it was simply trans-shipped through Hong Kong(146). According to S.Korean sources, the overall trade between China and S.Korea for the years 1979-1983, expressed in millions of US dollars, was 20.7, 78.5, 218.8, 149.4, and 133.8(147). In 1984 important new policies for the urban and industrial economy were introduced to match the earlier liberalisation of the rural economy, and in both areas significant advances were made. Jae Ho Cheung's estimate of the total two-way trade through all channels for 1984 was US \$461.6 million(148). Nicholas R. Lardy's estimate for the value of Sino-S.Korean trade in 1984 was US\$700 million dollars(149). According to a S.Korean source S.Korea's trade with China was in surplus by US\$25 million in 1984(150).

Although these values are necessarily uncertain, being aggregated data from multiple trade routes, it is undeniable that from December 1978 the value of trade between Seoul and Peking rose at a phenomenal rate, step by step with an unmistakable political thaw in Seoul-Peking relations. In fact, S.Korea's total trade with China increased substantially from 1980 to 1984, signifying a burgeoning indirect/direct trade relationship that, according to most estimates, already exceeded China's trade with N.Korea. The volume of the China-S.Korea trade, was said to be twice as large as China's trade with all communist countries(151).

### **3.3 Conclusions**

On balance, China was inclined to put more emphasis on areas where their mutual interests might draw S.Korea closer than on those areas where friction existed between China, the North, and the South. During this period China began to

offer explicit support for the maintenance of peace and stability on the Korean peninsula, including discouraging N.Korea from launching an attack against S.Korea, and moved further towards a pragmatic approach in policy-making. The S.Korean government, in turn, inclined further towards the accommodation of Chinese needs and desires, but the N.Koreans remained intransigent, continuing to threaten reunification of Korea by military means.

Regarding political relations, as long as China could see the benefits of dealing with S.Korea at peace, and in a stable environment on the Korean peninsula, various opportunities and pressures persuaded her to assume a more active role, although this entailed a difficult balancing act as the PRC was constrained by a determination not to jeopardise ties with Pyongyang. The most visible and dramatic breakthrough in Chinese relations with S.Korea was Peking's willingness to negotiate directly with Seoul for the release of a hijacked Chinese airliner which landed in S.Korea in 1983. For the first time since the Korean War, the two countries had high-level official contact, and this laid the foundation for S.Korea's "Northern Policy". China was politically testing the possibilities of a new approach towards S.Korea. Despite Peking's assurances to Pyongyang of continuing political support, N.Korea's responses, specifically the Rangoon terrorist attack and a significant flirtation with Moscow, actually led China to show more, rather than less flexibility towards S.Korea, permitting a further development of the Northern Policy.

In the economic sphere, bilateral relations progressed beyond secret indirect trade. After the publicisation of such contacts in 1978, there was an expansion of trade flows from 1979 onwards, and particularly after the 1983 hijack incident, though lip service continued to be paid to secrecy, with Hong Kong playing an important role as a strategically placed middleman. Several decisions in the CCP encouraged this expansion and led S.Korean businessmen to develop interpersonal contacts with China; i.e., the Foreign Investment Joint Venture Law, the



endorsement of "getting rich first", and the stimulation of light industry. Although many goods were being shipped directly between Chinese and S.Korean ports, the deals were still brokered through Hong Kong in an attempt to allay N.Korea's opposition. The PRC's growing involvement in trade with S.Korea was acutely resented by N.Korea, as was the waning of Chinese military support (moral and material) after the *Rangoon* incident, the political impact of which actively nurtured trading relations between China and S.Korea.

During the period under consideration it became clear that long-term economic cooperation between China and S.Korea would play a more important role than political issues in determining Chinese perception of, and policy towards, S.Korea. This change came about through the crystallisation of latent economic and politico-strategic opportunities, which was assisted by the skillful management of several incidents that arose. Full development of the potential the relationship was limited by China's sensitivity to further political *rapprochement* with S.Korea; China was reluctant, for example, to issue entry visas to S.Korean nationals. Economic interaction ultimately approached a level where the political ramifications of trading links came to supersede the desire to remain aloof for ideological purposes. Neither country could now afford to ignore the other.

## Notes

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- (3) Jimmy Carter, *Keeping Faith: Memoirs of a President* (New York: Bantam Books, 1982), p. 206; Park Yong-Ho, Park Woo-hee, Ahn Byung-Joon, Lee Sang-sung, and Ha Yong-sun, 'To-roun: Han-so-woo-ho-si-dae, Han-mi-kwan-kaega bag-yu-in-da,' [Special discussion: The New Era of relations between the Soviet Union and South Korea: Changing the Relations between the United States and South Korea], *Shin dong-a*, January 1991, p. 222.
- (4) Kyodo, November 23 1979, in BBC/SWB/FE/6279/1.
- (5) Huang Hua's secret speech on international relations in the 1980's (January 25, 1981), published by the Institute of International Relations in Taipei, Taiwan; Sung-po Chu, 'Peking's Relations with South and North Korea in the 1980's,' *Issues & Studies*, vol.22, no.11, November 1986, p. 71.
- (6) Chung Yong-seak, 'Chung-gongui dae-han in-sik,' [The perception of Chinese policy towards South Korea], *Pukhan [North Korea]*, April 1984, p. 76.
- (7) *Korea Herald*, September 21, 1980, p. 1.
- (8) *BR*, May 5, 1980, pp. 7-8.
- (9) Kim Young-moon, 'Choe-gun jung-soui dae-han jong-chaek,' [Recent Chinese and Soviet policies towards South Korea], *Tong-il Mun-je Yon-gu [Journal of Unification Studies]*, vol.11, April 1984, p. 37-39.
- (10) *The People's Daily* (Renmin Ribao), May 21, 1980, p. 2; Xinhua, May 22 1980, in BBC/SWB/FE/6426/A3/4. For N.Korea's view of S.Korea see KCNA in Nodong Shinmun, May 16 1980, in BBC/SWB/FE/6421/1; May 30 1980 in BBC/SWB/FE/6432/A3/5.
- (11) Sung-joo Han, 'Policy towards the United States,' in Youngnok Koo and Sung-joo Han, ed., *The Foreign Policy of the Republic of Korea* (New York: Columbia University Press, 1985), pp. 155-162.
- (12) See Harold C. Hinton, 'The Sino-Soviet-U.S. triangle,' in Stephen P. Gilbert, *Security in Northeast Asia: Approaching the Pacific Century* (London: Westview, 1988).
- (13) Quoted from Jonathan D. Pollack, 'U.S.-Korean Relations: The China Factor,' in Robert A. Scalapino and Han Sung-joo, ed., *United States-Korea Relations* (Berkeley: University of California, Institute of East Asian Studies, 1986), p. 193.
- (14) Chang dal-joong, 'Mi-jong-gong-kwan-kaeoa han-ban-do tong-il-hwan-kyong,' [Sino-American Relations and the Unification on the Korean peninsula], *Dong-a Yon-gu [Studies of East Asia]*, February 1985, p. 17. He quoted it from 'A Well-Trodden Path,' *Izvestia*, December 11, 1981.
- (15) *Yomiuri Shinbun*, March 19 1980, in BBC/SWB/FE/6374.A3/4.
- (16) Qi Xin, 'Cong-jie-ji shi-jian kan zhong-han guan-xi,' *Jiushi nian dai [The Ninety]*, June 1983, p. 55.
- (17) *Hankuk Ilbo*, September 12, 1981, p. 1.
- (18) Donald S. Zagoria, 'North Korea: Between Moscow and Beijing,' in Robert A. Scalapino and Jun-Yop Kim, ed., *North Korea Today--Strategic and Domestic Issues* (Berkeley: University of California, Institute of East Asian Studies, 1983), pp. 360-365.
- (19) Chinese Prime Minister Zhao Ziyang visited N.Korea for five days in December of 1981. Deng Xiaoping and Hu Yaobang made a secret visit to N.Korea from April 26-30, 1982, which was a significant event. See *Hankuk Ilbo*, September 12, 1981, p. 1. During their visit, Deng and Hu promised an increase in Chinese Oil exports to N.Korea. Even more importantly, Peking agreed to



- supply N.Korea with 20 to 40 A-5 jet fighters, China's version of the MIG-21. The secret visit of Deng and Hu was followed by another made by Minister of Defence Geng Biao, in Jun 1982 prior to the 12th party Congress in August 1982. Hu visited to N.Korea again in May 1984. N.Korea reciprocated with the visits of Kim Il-sung to China in September 1982, Kim Jong Il's in June 1983 and Kim Il-sung's once again in November 1984. For a detailed overview, see Chae-Jin Lee, 'China's Policy towards N.Korea: Changing Relations in the 1980's,' in Robert A. Scalapino and Hongkoo Lee, ed., *North Korea in a Regional and Global Context* (Berkeley: Institute of East Asian Studies, University of California, 1986), pp. 190-225.
- (20) BR, September 27, 1982, pp. 5-6.
  - (21) 'Foreign Policy: Worries about a US response to Pyongyang,' *FEER*, June 2, 1983, p. 55; James Cotton, 'China's New Northeast Asian Regional Policy and the Implications for Korea,' *Korea & World Affairs*, vol.10, no.3, Fall 1986, p. 524.
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  - (23) Ibid.
  - (24) For China's efforts in striving for a balance between the US and the USSR, see International Institute for Strategic Studies, *Strategy Survey 1982-1983, 1983-1984, and 1984-1985* (London: International Institute for Strategic Studies, 1983, 1984, and 1985); Xinhua, July 14 1984, in BBC/SWB/FE/7695/A1/1.
  - (25) Xinhua, October 13 1984, in BBC/SWB/FE/7773/A3/2-3. For recent evidence, see also Shim Jae Hoon, 'Kremlin connection,' *FEER*, August 30, 1990, p. 28; Li Jiaquan, 'Comment on "One Country Two Regions"', BR, November 12-18, 1990, pp. 14-17.
  - (26) Xinhua, May 8 1984, in BBC/SWB/FE/7637/A3/9.
  - (27) Xinhua, July 6, in BBC/SWB/FE/7378/A1/2-3.
  - (28) *Yomiuri Shinbun*, June 25, 1984, p. 2. Quoted from Chae-Jin Lee, 'The Role of China in the Korean Unification Process,' *Asian Perspective*, vol.10, no.1, Spring-Summer, 1986, pp. 102-103.
  - (29) Chong-Sik Lee, 'South Korea in 1980: The Emergence of a New Authoritarian Order,' *AS*, January 1981, pp. 125-143.
  - (30) *Korea Herald*, December 16, 1978, p. 4.
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  - (32) Dae-Sook Suh, 'South Korea in 1981: The First Year of the Fifth Republic,' *AS*, January 1982, pp. 110-111.
  - (33) 'I Have Been Given a Mission,' *Time*, April 13, 1981, p. 35.
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  - (35) Dalchoong Kim, 'China's Relations with the Two Koreas: Continuity and Adjustment,' *Journal of east and West Studies*, vol.XV, no.1, Spring-Summer 1986, p. 94; Chung Yong-seak, 'Chunggong-ul daehan insik,' p. 76.
  - (36) Kyodo, July 9 1981, in BBC/SWB/FE/6770/1; *Hankuk Ilbo*, July 7, 1982, p. 2.
  - (37) Chang Dal-joong, 'Jung-gong: dae-oeul ki-bon-ro-sonkoa byon-yong,' [Communist China: Principles of foreign policy and change], *Shindong-a*, July 1983, p. 122.
  - (38) Yonhap, December 9 1981, in BBC/SWB/FE/6901/1.
  - (39) Ralph N. Clough, *Embattled Korea: The Rivalry for International Support* (London: Westview Press, 1987), p. 340.
  - (40) Dalchoong Kim, 'China's Relations with the Two Koreas,' pp. 94-95.
  - (41) Tracy Dahlby, 'Japan-China: Treading air,' *FEER*, January 7, 1974, p. 12; *Korea Herald*, November 12, 1981.
  - (42) Quoted from Chang-yoon Chol, 'Korea and China: Current Issues and Future Prospects,' Sung-joo Han, ed., *After One Hundred Years: Continuity and*



- Change in Korean-American Relations* (Seoul: Asiatic Research Center, Korea University, 1982), p. 126. He quoted this from Richard Huges, *FEER*, September 24, 1981, p. 37.
- (43) For the Chinese pilot's view of the incident, see *Korea Herald*, October 20, 1982; Ralph N. Clough, *Embattled Korea*, p. 337.
  - (44) According to a S.Korean source, when Peking cabled to Seoul that they wanted to send the officials to resolve the incident via Tokyo, Seoul temporarily refused the proposal in order to obtain an opportunity of expanding its contacts with China. My personal interview, held in Seoul on October 2, 1987 with Mr Choi Hee Joon, who was involved in the Hijacking incident in 1983 as agent of the National Security Planning Agency (Hereafter NSPA) in South Korea.
  - (45) My personal interview. For the so-called "very special Official," see Shim Jae Hoon, 'Hijack diplomacy,' *FEER*, May 19, 1983, pp. 16-17.
  - (46) Yonhap, December 16 1983, in *BBC/SWB/FE/7518/A3/1*.
  - (47) For the full text, see Yonhap, May 11 1983, in *BBC/SWB/FE/7330/A3/1*.
  - (48) Ralph N. Clough, *Embattled Korea*, p. 342; In addition to the hijacked Chinese airliner in May 1983, which made the first official contact between the two countries since China became communist in 1949, there was also a MIG-19 in October 1982 and a MIG-21 in August 1983.
  - (49) Shim Jae Hoon, 'Hijack diplomacy,' p. 17.
  - (50) Shim Jae Hoon, 'Illegal imMiGrant,' [sic], *FEER*, August 25, 1983, p. 32.
  - (51) The term "Northern Policy" or "Northern Diplomacy" has been used by academics since the early 1970's. It is analogous to the *Ostpolitik* popularised by Willy-Brandt in the 1970's. The S.Korean government used the term for the first time in 1983 when Foreign Minister Lee Bum-suk gave a speech at the National Defence College. Lee Bum-suk, Son-jin Cho-guk Chang-joreul wi-han Oe-gyo [Diplomacy for the Creation of the Advanced Fatherland], a speech delivered at the National Defence College, June 29, 1983 in S.Korea. The translation is mine. Quoted in Choi Chong-gl, 'han-kuk Puk-bang Oe-gyoul Hyon-hwangkwa Chon-mang.' [Present and Future of the South Korean Northern Policy], *Tongil Yongu Nonchong* [The Debate on Unification], vol.III, no.1, 1988, pp. 159-160.
  - (52) *Ibid*.
  - (53) Kyodo, June 11 1983, in *BBC/SWB/FE/7357/1*; Chang-yoon Choi, 'Korea and China: Current Issues and Future Prospects,' in Sung-Joo Han, ed., *After One Hundred Years: Continuity and Change in Korean-American Relations*, p. 125; *Hankuk Ilbo*, June 11, 1983, p. 1.
  - (54) *The Worker's Daily* (Nodong Sinmun), May 21-25, 1983, p. 2.
  - (55) Byung Chul Koh, 'China and the Korean Peninsula,' *Korea & World Affairs*, vol.9, no.2, Summer 1985, p. 266.
  - (56) My personal interview with Jae hyun Yoo, Hong Kong, July 2, 1990.
  - (57) Shim Jae Hoon, 'Vis-a-vis a visa,' *FEER*, July 28, 1983, p. 32.
  - (58) Yonhap, July 13 1983, in *BBC/SWB/FE/7384/1*.
  - (59) *Hankuk Ilbo*, 3 October, 1982, p. 7.
  - (60) Shim Jae Hoon, 'Vis-a-vis a visa,' p. 33.
  - (61) Xinhua, May 23 1983, in *BBC/SWB/FE/7340/A3/1*.
  - (62) Shim Jae Hoon, 'Vis-a-vis a visa,' p. 33.
  - (63) Choi Chong-gl, 'Han-kuk Puk-bang Oe-gyoul Hyon-hwangkwa Chon-mang', pp. 159-160.
  - (64) Shim Jae Hoon, 'Illegal imMiGrant', p. 32.
  - (65) Xinhua, September 7 1983, in *BBC/SWB/FE/7432/1*; 'Rangoon bombing: A lesson learnt,' *The Economist*, October 22, 1983, p. 52-53.
  - (66) Roy Medvedev, Translated by Harold Shukman, *China and the Superpowers* (Oxford: Basil Blackwell, 1986), p. 163; Xinhua, September 14 1983, in *BBC/SWB/FE/7438/A2/1*.
  - (67) Yonhap, December 16 1983, in *BBC/SWB/FE/7518/A3/1-2*.



- (68) 'Rangoon bombing: A lesson learnt,' *The Economist*, October 22, 1983, pp. 52-53. For the Chinese guarantees to the United States, see Jimmy Carter, *Keeping Faith: Memoirs of a President*, p. 206.
- (69) 'The Koreans: Stranger than fiction,' *The Economist*, November 19, 1983, p. 56; Thomas W. Robinson, 'The Seoul Olympics: Catalyst for Cross-Recognition and Inter-Korean Reconciliation?' *Korea and World Affairs*, vol.12, Summer 1988, p. 287.
- (70) *Korea Herald*, March 17, 1981, p. 1.
- (71) 'The finger of suspicion points to North Korea,' *The Economist*, October 15, 1983, pp. 49-50.
- (72) Radio Spark, December 22 1983, in BBC/SWB/FE/7523/1.
- (73) Yonhap, October 17 1983, in BBC/SWB/FE/7466/A3/2; *Hankuk Ilbo*, October 20, 1983, p. 1.
- (74) Jonathan D. Pollack, "U.S.-Korean Relations: The China Factor," p. 194. For further details see *The People's Daily* (Renmin Ribao), November 6, 1983; and *Xinhua*, November 24, 1983, in FBIS-China, November 25, 1983, p. D8.
- (75) *The People's Daily* (Renmin Ribao), November 6, 1983, p. 2.
- (76) For North Korean-the USSR relations, see Lee Suck-Ho, 'Evolution and Prospects of Soviet-North Korean relations in the 1980's,' *Journal of Northeast Asian Studies*, vol.5, no.3, Fall 1986, pp. 19-34.
- (77) The Soviet build-up involved deployment of a new generation of intermediate range nuclear weapons, the expansion and qualitative improvement of its Pacific Fleet, and the development of Soviet bases in the islands north of Japan. See Daryl M. Plunk, 'Moscow and Peking Vie for Influence in Pyongyang,' *The Wall Street Journal*, June 16, 1986, p. 15; IISS, *The Military Balance*, 1982-1983 and 1983-1984 (London: IISS, 1984, 1985).
- (78) Don Oberdorfer, 'Zhao Preceded North Korea In Presenting Latest Peace Bid,' *Washington Post*, January 13, 1984; BR, March 12, 1984, p. 3.
- (79) Hu Yaobang discussed this with the US Defence Secretary Casper Weinberger and Former Japanese Foreign Minister Kiichi Miyazawa. Kyodo, October 22 1983, in BBC/SWB/FE/7471/1; November 9 1983, in BBC/SWB/FE/7486/1; *Xinhua*, July 7 1984, in BBC/SWB/FE/7689/A3/1.
- (80) *Chosun Ilbo*, May 3, 1984, p. 1, in BBC/SWB/FE/7634/1; Kyodo, July 5 1984, in BBC/SWB/FE/7687/1.
- (81) *Xinhua*, October 13, 1984, in BBC/SWB/FE/7773/A3/2.
- (82) *Joongang Ilbo*, April 28, 1984, p. 1; Yonhap, April 30 1984, in BBC/SWB/FE/7630/A3/1.
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- (84) KA, 1986 (Seoul: Yonhap News Agency, 1986), p. 311.
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- (92) BR, January 9, 1984, p. 17.
- (93) Michael Sullivan, 'The Ideology of the Chinese Communist Party since the Third Plenum,' in Bill Brugger, ed., *Chinese Marxism in Flux, 1978-84: Essays on Epistemology, Ideology and Political Economy* (London: Croom Helm, 1985),



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- (94) Robert F. Dernberger, 'The Chinese Search for the Path of Self-Sustained Growth in the 1980's: An Assessment,' in US Congress, *Joint Economic Committee, China Under the Four Modernizations, Part I* (Washington, D.C.: GPO, 1982), p. 48.
  - (95) Deng Xiaoping, 'Jie-fang-si-xiang shi-shi-qiu-shi tuan-jie-yi-zhi-shang-chian-kan,' in Deng Xiaoping, *Deng Xiaoping's Wenxian, 1975-1982* (Hong Kong: Remin-chu-pan-she, 1984), pp. 130-143; BR, no.52, December 29, 1978.
  - (96) Jae Ho Chung, 'South Korea-China Economic Relations,' AS, vol. XXVIII, no.10, October 1988, pp. 1033-1034.
  - (97) Ilpyong J. Kim, 'China and USSR,' p. 214.
  - (98) China adopted a set of export inducements which provided tax incentives for and remitted indirect taxes on, imported inputs for export production; granted exemption from income taxes on a proportion of export earnings; established export-processing zones, and provided inexpensive quality-control programmes to help upgrade and ensure the quality of their export production. This was accomplished with the Joint Venture Law, ratified by the Second Session of the Fifth NPC as the "Foreign Investment Joint Venture Law", leading to increased links with capitalist states and a parallel commitment to regional stability. In July 1979 the Central Committee and State Council approved special policies and flexible measures in Guangdong and Fujian provinces to attract foreign investment, establishing four SEZs in these two provinces. Since then, the Chinese government has adopted an export-expansion policy for selected areas, including the four SEZs established in 1979 in southern coastal areas, and fourteen coastal cities chosen in 1984. See Kim Young-moon, 'Choegun jungso-ui daehan jongchaek,' [Recent Chinese and Soviets policies towards South Korea], *Tongil Munye Yongu* [Journal of Unification Studies], vol.11, April 1984, p. 37; Robert F. Dernberger, 'The Chinese Search for the Path of Self-Sustained Growth in the 1980's: An Assessment,' in US Congress, *Joint Economic Committee, China Under the Four Modernizations, Part I*, pp. 48, 50, 53, 57.
  - (99) Kim Kyung Won, 'Self-identified & the world,' *FEER*, December 1, 1978, pp. 38-39.
  - (100) Lee Beom-chan, 'Hanso kyoryu hyonhwangwa hwakdae bangan,' p. 15.
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  - (102) Economic Planning Board (EPB), *Handbook of the Korean Economy* (Seoul: EPB, 1981); Youngnok Koo, 'Foreign Policy Decision-Making,' in Youngnok Koo and Sung-joo Han, ed., *The Foreign Policy of the Republic of Korea*, p. 33.
  - (103) *Forging a New Era: The Fifth Republic of Korea* (Seoul: Korean overseas Information Service, 1981).
  - (104) For the return of Deng Xiaoping and the rise of Hu Yaobang and Zhao Ziyang, see Peter Ferdinand, 'China,' in Martin McCauley and Stephen Carter, ed., *Leadership and Succession in the Soviet Union, Eastern Europe and China* (London: Macmillan, 1986), pp. 194-215.
  - (105) Chung Yong-seok, 'Chung-gongui Dae-han in-sik,' *Puhan* [North Korea], April 1984, p. 79.
  - (106) Shin Myung-soon, 'Han-kukgwa chung-gongui kwan-gye kae-sone kwan-han yon-gu,' *Han-gukgwa kuk-je chong-chi* [Korea and World Politics], vol.1, January 1985, p. 60.
  - (107) Dan C. Sanford, *South Korea and the Socialist Countries: The Politics of Trade*, p. 9.
  - (108) Joo-Hyoung Lho, 'Korea Looks West--To China,' *Korea Business World*, vol.4, no.7, 1988, p. 17.



- (109) Gerald Segal, *Rethinking the Pacific* (Oxford: Clarendon Press, 1990), pp. 312-316; James Cotton, 'China's New Northeast Asian Regional Policy and the Implications for Korea,' *Korea and World Affairs*, vol.10, no.3, Fall 1986, pp. 517-528.
- (110) See Table 7.5 Share of Taiwan and South Korea in Hong Kong's entrepot trade with China, in Yun-Wing Sung, *The China-Hong Kong Connection: The Key to China's Open-Door Policy* (Cambridge: Cambridge University Press, 1991), p. 140.
- (111) Nicholas Lardy, *China's Entry into the World Economy: Implications for Northeast Asia and the United States* (London: University Press of America and the Asian Society, 1987), p. 28; Yun-Wing Sung, *The China-Hong Kong Connection: The Key to China's Open-Door Policy*, pp. 130-141.
- (112) My personal interview with Paul M.P. Chan, who has worked for Daewoo Company in Hong Kong and is now Assistant Director and Manager-Chinese Operations in Hsin Chong Holdings (H.K.) Ltd., in Hong Kong July 4, 1990.
- (113) Up to 1984 there were a number of offices in Hong Kong which were supported or subsidised by the Chinese and S.Korean governments. According to my personal interview, the South Korean National Security Planning Agency (Hereafter NSPA) established over 30 bogus companies in Hong Kong.
- (114) Nicholas Lardy, *China's Entry into the World Economy*, p. 29.
- (115) Yung Whee Rhee, Bruce Ross-Larson and Garry Pursell, *Korea's Competitive Edge* (Baltimore: The Johns Hopkins University Press, 1984).
- (116) It is clear that, although S.Korean businessmen were worried about the relatively dangerous trade with China, representatives of the conglomerates remained eager to go there to discuss possible projects with Chinese officials. It was, however, difficult to confirm rumours of interpersonal contacts between their countries because officials never publicly referred to them.
- (117) Park Tong Whan, 'Political Economic Approach to the Study of NIC's Behaviour: The Case of South Korea,' *The Ilhae Institute Reprint Series 86-03*, 1986, pp. 2-3.
- (118) Keun Lee, *Chinese Firms and the State in Transition: Property Rights and Agency Problems in the Reform Era* (London: M.E. Sharpe, Inc., 1991), pp. 131-134.
- (119) Park Chun Ho, 'Han-guk-inun jung-gukul jal-mok-al-go-is-da,' [Korea misunderstood China], *Shin dong-a*, September 1988, p. 400.
- (120) The Law of the People's Republic of China on Joint Ventures using Chinese and Foreign Investment, Adopted by the Second Session of the Fifth National People's Congress on July 1979, *BR*, July 12-17, 1979, pp. 22-27; Seung-Hwan Kim, 'Prospects for Korean Security,' in Stephen P. Gilbert, ed., *Security in Northeast Asia* (London: Westview, 1988), p. 79.
- (121) After 1952, trade was centrally planned under the Ministry of Foreign Trade, and twelve FTCs, each having a monopoly in specific product lines (all had head offices in Peking). See Michele Ledic, 'Foreign Economic Relations,' in Gerald Segal, ed., *Chinese Politics and Foreign Policy Reform*.
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- (124) Tokyo Shinbun, September 14, 1981. Source not specified.
- (125) Dan C. Sanford, *South Korea and the socialist countries*, p. 10.
- (126) Kim Woo-choong, *Sae-kaenun nuel-go hal-ilun man-da* [The World is wide and there is much to do] (Seoul: Kimyoung-sa, 1989), pp. 34-35.
- (127) 'Trade Precedes the Flag,' *The Economist*, November 2, 1985, pp. 76-77; Han S. Park and Kyung A. Park, 'China and Inter-Korean Relations,' *The Korean Journal of International Studies*, vol.17, no.3, Summer 1986, pp. 33-34.
- (128) Han-kuk Mu-oyok-hyop-hui, *UR Hyop-shang dong-hyang mik chun-mang* [Uruguay Round Trend and Prospect] (Seoul unpublished: KTA, September 10,



- 1991), p. 10-11; Chakraavarthi Raghavan, *Recolonization: GATT, the Uruguay Round & the Third World* (London: Zed Books Ltd, 1990).
- (129) *Hankuk Ilbo*, March 1, 1983, p. 1.
- (130) Ralph N. Clough, *Embattled Korea*, p. 337.
- (131) Park Chun Ho, 'Han-kuk-inui chung-gukul Jal-mok-al-go-is-da,' p. 399.
- (132) There are many arguments among S.Korean scholars' concerning the date at which the open secret trade between China and S.Korea began. See Kim Young-moon, 'Choegun jungso-ui daehan jongcheak,' *Tongil Munje Yongu* [Journal of Unification Studies], vol.11, April 1984, p. 36. Originally quoted in *Nepszabadsag*, December 29, 1978; Myung-soon Shin, 'Han-gukgwa chung-gongui kwan-gye kae-sone kwan-han yon-gu,' p. 59; Li Ki-taek, 'Han-jung-gong dae-hwau kil-un yol-lyo-nun-ga [The future of Korea-China relations],' *Shin Dong-a*, June 1983, p. 84.
- (133) Norman Thrope, "South Korea, China Resume Trade After 30-year Break," *Asian Wall Street Journal*, February 12, 1981, p. 15; "Chinese Coal Laundry," *The Economist*, February 28, 1981, p. 70.
- (134) Peter Berton, 'The Soviet Union and Korea: Perceptions, scholarship, propaganda,' *Journal of Northeast Asian Studies*, vol.V, no.1, Spring 1986, p. 23.
- (135) *Pravda*, September 26, 1981, p. 3. This was quoted from Reuters and Kwuan Chu Pao.
- (136) Xinhua, April 1 1981, in BBC/SWB/FE/6688/1; Xinhua, March 13 1981, in BBC/SWB/FE/6672/A3/1; TASS, July 9 1981, in BBC/SWB/FE/6770/1. *The People's Daily* (Renmin Ribao), (Overseas Edition), March 12, 1981; "A Denial of Soviet Allegations: China-South Korea Trade Connections Unofficial-Beijing," *Hong Kong Standard*, March 13, 1981; "Trade with Seoul Denied," *South China Morning Post*, March 13, 1981.
- (137) Centre of Economic Forecasting State Planning Commission of China and Department of Statistics on Balances of National Economic State Statistical Bureau People's Republic of China, *Input-Output Tables of China*, 1981 (Beijing and Honolulu: China Statistical Information and Consultancy Service Centre and East-West Population Institute East-West Center, 1987); David Dollar, 'South Korea-China Trade Relations: Problems and Prospects,' *AS*, vol.XXIX, no.12, December 1989, p. 1168.
- (138) Martin Weil, 'China's Troubled Coal Sector,' *The China Business Review*, March-April, 1982, p. 30.
- (139) John Burgess, 'South Korea Forges Ahead with Steel Industry: Construction of New Plant Draws Fire,' *Washington Post*, May 22, 1985, p. D12.
- (140) Jae Ho Chung, 'South Korea-China Economic Relations,' p. 1039; Thomas Stern, 'Korean Economic and Political Priorities in the Management of Energy Liabilities,' in Ronald C. Keith, ed., *Energy, Security and Economic Development in East Asia* (London: Croom Helm, 1986), p. 154.
- (141) Dan C. Sanford, *South Korea and the Socialist Countries*, p. 9.
- (142) Ralph N. Clough, *Embattled Korea*, pp. 337-338.
- (143) *Hankuk Ilbo*, August 11, 1980, p. 1.
- (144) *Ibid*, April 25, 1979, p. 1.
- (145) There were, however, discrepancies between and among different scholars, concerning trading figures between China and S.Korea, resulting from the different bases used by the sources. See Jae Ho Chung, 'South Korea-China Economic Relations', p. 1036.
- (146) Indirect trade has been asserted in the late 1970's by many scholars in the West, many schools argued that the two-way direct trade between China and South Korea started in the first half of 1980's. See Sung-pu Chu, "Peking's Relations with South and North Korea in the 1980's," *Issues & Studies*, vol. 22, no.11, November 1986, p.75; Byung Chul Koh, "China and the Korean peninsula," *Korea and World Affairs*, vol.9, no.2, Summer 1985; Gerald Segal, *Rethinking the Pacific*, p. 314.
- (147) Jae Ho Chung, 'South Korea-China Economic Relations,' p. 1036.



- (148) Ibid.
- (149) Nicholas R. Lardy, *China's Entry into the World Economy*, p. 7.
- (150) Ministry of Commerce and Industries, *White Paper on Commerce and Industries*, 1987, Seoul, South Korea.
- (151) Moscow TASS commentator Yevgeniy Verlin, March 12, 1981, in *FBIS, Soviet Union, USSR, International Affairs, China*, December 14, 1981, p. B2. Quoted from Peter Berton, 'The Soviet Union and Korea: Perceptions, scholarship, propaganda,' p. 23. Also see Appendix 1: Korea's Trade with Communist Countries, in Dan C. Sanford, *South Korea and Socialist Countries*, p. 105.

## **CHAPTER FOUR: DE FACTO RECOGNITION, 1985-1987**

The period 1985 to 1987 witnessed an even greater improvement in relations between China and S.Korea than was seen during the period discussed in the last chapter. Sino-Soviet *detente* resulted in the progressive marginalisation of N.Korea, allowing the Chinese leadership the freedom to pursue a *de facto* "Two Koreas" policy, and also led to competition between the USSR and China regarding economic relations with S.Korea. China was still reluctant to acknowledge S.Korea as a legitimate power, but her tacit acceptance of Seoul's economic consequence became more and more apparent. The Chinese torpedo boat incident in the Yellow Sea in March 1985, as well as the Chinese participation in the Seoul Asian Games in 1986, marked a change in the Chinese attitude towards S.Korea in which the "Two Koreas" policy was tested. At the same time the victory of the reformists in the CCP led to the formulation of a Seventh Five-Year Plan (1986-1990), which provided a more supportive context for Sino-S.Korean economic relations, and officials and business people from both countries began to explore ways of broadening economic cooperation. Moreover, the Chinese reaffirmed their commitment to foreign investment and to the decentralisation of economy. Relations between the two countries were further influenced by the necessity of maintaining the peace on and around the Korean peninsula.

### **4.1 Politico-Strategic Relations**

Although the relationship between China and S.Korea continued to be somewhat constrained by the sensitive nature of China's ideological relationship with Pyongyang, Sino-Soviet *rapprochement* and several incidents in the mid-1980's led to the Chinese taking a more positive attitude towards S.Korea.



## **Sino-Soviet *Detente* and the Creation of a More Stable Security Structure on the Korean Peninsula**

One of the most important factors determining China's foreign policy, and the single most important influence affecting its relationship with S.Korea is Sino-Soviet *detente*. Both China and the USSR gave high priority to their respective domestic economic reforms, and began to view S.Korea as a vital player in a new and more stable security structure for the Northeast Asian region based on economic cooperation rather than conflict(1).

From the mid-1980's after a decade or so of *detente* with the US, China began to look for ways to reduce the dangers of too close an identification with one superpower alone. China recognised that participation in a global alliance headed by the US (the purpose of which would be to block Soviet hegemony) potentially involved costs for Peking which would be incompatible with her modernisation policy.

Gorbachev attempted, in his speech in Vladivostok in July 1986, to relieve deep-rooted disputes with China by acknowledging China's legitimate interests and concerns. Since the early 1980's China had been taking a more balanced approach to relations between the superpowers, conducting her so-called "independent foreign policy," and Peking now responded positively to Gorbachev's initiative(2). During the Thirteenth National Congress of the CCP, held the following year from October 25 to November 1, the PRC declared a cessation to its long-standing campaign against Soviet "hegemonism", and reaffirmed its desire to conduct an independent foreign policy, keeping an equal distance between Moscow and Washington(3).

Deng's adjustment of the Chinese position in the world, and Gorbachev's stress on improving relations with China, including unilateral concessions to Peking

on a variety of political issues, led to a rapid improvement in Sino-Soviet relations. By the mid 1980's, it was clear that neither China nor the USSR was inclined to disturb the Korean *status quo*. Hostility between South and North Korea was a danger which neither Peking nor Moscow could countenance, and their policies on the Korean peninsula were framed accordingly.

Sino-Soviet *detente* meant that Moscow and Peking largely ceased their competition over Pyongyang; leaving N.Korea in a difficult position(4). During Sino-Soviet rivalry, the N.Korean factor inhibited the improvement of China's relations with S.Korea. At a time of Sino-Soviet *detente*, N.Korea had little leverage and found itself with less room for manoeuvre to prevent China from developing her relations with S.Korea than at any time since the Korean War(5).

Both China and the USSR had a vital stake in the maintenance of peace and stability on the Korean peninsula and were taking roughly the same position on Korea - both made important advances towards improved relations with S.Korea, in support of a peace and stability on and around the Korean peninsula that was an essential background for their desired domestic economic reforms(6).

The Korean peninsula had remained a potential source of danger during the previous two decades due to continuing tensions in the relationship between the PRC and the USSR. It is a measure of the importance of the region to both countries that they were prepared to compromise in order to maintain a peaceful environment, in particular the USSR; and this was reflected in their growing non-political and economic ties with S.Korea to cope with their economic problems in the mid 1980's. Since the election of Mikhail Gorbachev as leader of the Soviet Communist Party in March 1985, the USSR recognised the advantages of better ties with S.Korea, just as China had, and with a view to alleviating its economic situation the USSR sought to play a larger role in the lessening of tensions on the Korean peninsula. The dramatic



transformation of its domestic society, but also the economic strength of S.Korea offered the USSR new opportunities and posed new policy challenges in the region.

China was already demonstrating the advantages of economic cooperation with S.Korea and the USSR had much to gain from cooperation with the dynamic economy and entrepreneurial skills of S.Korea. Gorbachev specifically mentioned in his Vladivostok speech in July 1986, his hopes for the development of the Soviet Far East. Just as leadership change in China had allowed it to increase its contacts with S.Korea, Gorbachev gave Korean policy very special attention, and his efforts produced results as impressive as those achieved by China(7). S.Korea benefited from Gorbachev's new stress on domestic economic reform and greater co-operation with the Asian-Pacific capitalist economies, with less emphasis on relations with N.Korea. The USSR could offer S.Korea a source of primary products, while S.Korea could offer the USSR reliable, high-quality but relatively inexpensive manufactured goods, developing the immense, untapped potential of the Soviet market(8).

The destruction of KAL flight 007 over Sakhalin in 1983 (according to the Soviet view, while on an intelligence gathering mission) delayed further progress in the development of relations between the USSR and S.Korea. Nevertheless indirect Moscow-Seoul trade was estimated at about US\$122 million in 1985 and US\$164 million in 1987, with the USSR importing electronics, textiles, and machinery, and exporting coal and timber(9).

With China no longer concerned about antagonising N.Korea in developing her extensive economic and political relations with S.Korea, the Chinese leadership was able to move steadily towards a more differentiated approach towards S.Korea and, on balance, China's actions in the mid 1980's made a positive contribution towards Sino-S.Korean *rapprochement*. For example, there were no longer Chinese responses to N.Korea's claims for US SR-71 violations of N.Korean airspace(10).

China had more at stake in maintaining stability in the Korean peninsula than either the US or the USSR, and this was reflected in China's growing economic ties with S.Korea. It could be said that China became increasingly aware of S.Korea's growing strategic and economic importance in Northeast Asia and, conversely, that S.Korea acknowledged China's dominant position ensured that she would play a responsible peace-promoting role in Northeast Asia. The developing relations between China and S.Korea could now proceed without Chinese concern about N.Korea. James Cotton described this as a dramatic development in China's regional policy(11).

#### **Behind-the-Scenes Official Contacts**

Certain incidents between China and S.Korea, pertaining to cases of political asylum and the handling of military aircraft and vessels, illustrated the impossibility of settling problems by negotiation in the absence of formal diplomatic relations.

In March 1985, the "torpedo boat" incident occurred, and this gave S.Korea an opportunity to make overtures to China. A Chinese navy torpedo boat, adrift in the Yellow Sea after a mutiny, was rescued by a S.Korean fishing boat and towed by a S.Korean Coast Guard vessel to the Port of Kunsan(12). Since the two countries had no formal diplomatic ties it was necessary to find a way of handling the situation, and as in the case of the hijacking incident of May 1983 China was willing to have discreet contacts with S.Korean officials.

Negotiations began between Xu Jiatun, director of the Hong Kong office of Xinhua, and a member of the NPC Standing Committee; and Kim Chae-chun, diplomat, and S.Korean Consul General in Hong Kong. A memorandum addressed to the "Consul General of the Republic of Korea in Hong Kong", signed by the deputy



director for diplomatic affairs of Xinhua's Hong Kong office, and authorised by the foreign ministry in Peking, apologised for the intrusion by Chinese naval units into S.Korean territorial waters in order to search for a torpedo boat(13). The memorandum also stated that the PRC would make efforts to prevent future violations of S.Korean territorial waters, and would take the necessary action against those responsible. This can be seen as indicating a *de facto* recognition of Seoul by Peking. The memorandum also expressed appreciation for the decision by the S.Korean authorities to return the boat and crew(14).

Shortly after the torpedo boat incident had been resolved, another maritime incident involving S.Korea and China occurred. On April 18, 1985, a 10,000-ton Chinese freighter struck and sank a S.Korean fishing boat; all 12 fishermen were killed. Negotiations took place in Hong Kong on April 24, 1985, and the owners of the vessel and the families of the deceased were represented by a legal adviser to S.Korea's Fisheries Administration. The director of the Shanghai Ocean Transport Corporation was the principal negotiator on the Chinese side. After twelve days of negotiations, the Chinese agreed to pay \$470,000 compensation for the loss of the boat as well as the deaths of the fishermen. In September the Chinese Shipping Corporation remitted the money through the S.Korea Exchange Bank's branch in Hong Kong(15).

Other opportunities for S.Korea to enter into negotiations with China arose. In August 1985 a B-5 light bomber, a modification of the Soviet IL-28, crash-landed in S.Korea with three military personnel aboard. And in October 1986 some Chinese MIG-19's entered S.Korean airspace(16).

The Chinese pilots of the B-5 light bomber requested political asylum in Taiwan, but the radio operator asked to be returned to China. In deciding what to do with the B-5 bomber S.Korea made discreet contacts with Chinese officials in Hong

Kong. Furthermore, in order to discuss the matter with China, S.Korea was first obliged to study international conventions concerning the violation of airspace by military aircraft, as there were no established international laws regarding the violation of S.Korean airspace by Chinese military aircraft. The S.Korean government agreed to discuss returning the plane to China, in the eventuality of such a request, but in the absence of diplomatic relations between the two countries China made no such formal request(17).

These incidents highlighted the need for Seoul to be able to negotiate directly with Peking, and Hong Kong became of vital importance in establishing contacts between China and S.Korea. In 1985 the S.Korea government appointed, for the first time, a Consul General with the rank of Ambassador to represent S.Korea in Hong Kong(18). Two floors of the Far East Finance Co. Building were purchased, at a cost of US\$5,130,000 to serve as a Consulate(19).

From 1985 onwards contacts between China and S.Korea grew, and the Chinese attitude towards S.Korea became more flexible. A month after the torpedo boat incident, China granted visas to two S.Korean diplomats to enable them to attend the UN-sponsored political conference in China on the Palestine problem; and Lee Si-young and Kum Jin Ho, subsequently attended the UN's 10th conference on the Palestine(20). This was the first time that China had granted visas to a S.Korean diplomat. During receptions hosted by the UN Secretary General and President Reagan respectively, the Chinese Premier, Zhao Ziyang, met the S.Korean Premier, No Sin-yong in October 1985(21). Furthermore, in May 1985, two representatives from S.Korea's broadcasting organisation, which had had a long and close relationship with the Taiwan Broadcasting Enterprise in Taipei, attended the meeting of the Asia-Pacific Broadcasting Union (Hereafter APBU) held in Peking. No conditions were attached to their being allowed to attend(22).



Subsequently, S.Korean officials and politicians made both official and unofficial visits to China in order to establish personal contacts with China's leadership. Two S.Korean officials reportedly attended a Conference in Peking, sponsored by the UN Fund for Population Activities, on Women Population and Development. No S.Koreans were, however, invited to an Asia-Pacific Youth Meeting in May 1985; but S.Korea did send three representatives, from both Buddhist and Christian organisations, to the World Conference on Religion and Peace which was held in Peking in June 1986. Moreover, five Chinese representatives had previously attended the third Asian Conference on Religion and Peace, held in Seoul(23).

As a result of the absence of any high-level personal relationship between Chinese and S.Korean officials, S.Korea found it necessary to forge unofficial links with influential Chinese figures. Shim Chul-ho, a champion of disabled people in S.Korea and a well-known former comedian, arranged the donation of hundreds of wheelchairs to China in order to persuade the Chinese to participate in the Disabled People's Athletic Games in Seoul in 1986. He also invited Deng Pufang, 43-year-old son of the senior Chinese leader Deng Xiaoping and president of the Chinese Disabled People's Federation, to visit Seoul at the time of the games(24). Another instance concerns Kim Pok-tong, an ex-General in the S.Korean Army and Chairman of the Korean Mining Industry Corporation (Hereafter KMIC), who during his unofficial visit to Hong Kong in April 1986, attempted to contact Peking in secret on the subject of cooperation, in the mining sector, with the China National Coal Import and Export Corporation (Hereafter SINOCHEN)(25).

### **The 1986 Seoul Asian Games**

It took the S.Koreans considerable time and effort to persuade the Chinese to take part in the Asian Games, held in Seoul in 1986. President Chun stressed in his new year speech on January 16 1986 that S.Korea would devote itself "even more

earnestly" to diplomacy that would work ever more energetically to promote S.Korea's long-standing open-door policy towards China, and that such policies were aimed at ensuring S.Korea's diplomatic success in the 1986 Asian Games and the 1988 Olympics, both to be held in Seoul(26).

Even before the Games there were many sports exchanges between China and S.Korea, for example, the 17th Asian Weightlifting Championships, held in Hangzhou in April 1985, were won by the Chinese, with the S.Koreans taking second place, and the N.Koreans fourth. S.Korean divers also took part in the 4th World Cup International Diving Championship in Shanghai, and a Chinese men's handball team competed in Seoul in a preliminary round of the 11th World Men's Handball Championships. With reference to sporting exchanges, Shin Pyong-hyon, deputy prime minister of S.Korea, reported to the National Assembly that S.Korean athletes had taken part in 19 events in China during the year 1985, and Chinese athletes had come to S.Korea for 10 events(27).

Seoul's efforts to persuade China to participate in the games intensified as a result of the so-called "*Ollimpic Kwan-gae-ul Sport Oye-keo*" [Olympic-related Sports Diplomacy](28). The newly-appointed S.Korean Foreign Minister Choi Kwang-soo publicly declared S.Korea's desire for official recognition by China, and, with that aim in mind, on 26 August 1986 the S.Korean Asian Games Preparation Committee officially acknowledged China's full official name as the PRC; the ROC became known as Taipei China(29).

At the same time, S.Korea attempted to use Japan as a bridge between China and S.Korea(30). According to a S.Korean source, President Chun sent a message, via the chairman of Japan's Komeito party, Yoshikatsu Takeiri, to Deng Xiaoping, expressing S.Korea's desire for better relations with China. The message also expressed the hope that the Chinese government would support the attempt to



secure peace on the Korean peninsula by participating in the 1986 Asian Games, and the 1988 Olympic Games in Seoul. In reply Deng Xiaoping gave an assurance that China was willing to take part in both events(31). In addition, at a meeting with the chairman of JSP, Takako Doi, Premier Zhao Ziyang also confirmed that China would take part in the Seoul Olympic Games in 1988(32).

At the time of the Asian Games in Seoul in 1986, the Secretary-general of China's Olympic Committee confirmed China's intention to participate in the Olympic Games in Seoul. The confirmation was qualified by a cautionary note indicating that Chinese participation in the Games would have no political import, and should be seen as being of significance only as far as sporting events were concerned. It was reported that a Chinese Foreign Ministry spokesman said on August 20 1986 that China's participation in the Asian Games in Seoul did not indicate any change in its position on S.Korea(33).

Seoul was visited by several Chinese officials around the time of the 1986 Asian Games. He zhenyang, a member of the International Olympic Committee (Hereafter IOC) in China, as well as a delegation led by Zhang Bafa, Deputy Major of the Peking Asian Games Organisational Committee, visited Seoul and met with S.Korean officials to discuss the possibilities of Seoul helping Peking to host the 1990 Asian Games(34). As a result of diplomatic efforts by the S.Koreans the Olympic Committee in Asia (Hereafter OCA) awarded the next Games to Peking(35). There was a good co-operation between China and S.Korea in such international organisations.

At last, China sent a 520-member contingent to the Games, which were boycotted by N.Korea(36). The new relationship between China and S.Korea was publicly demonstrated at the Games by the slogan "See you in Peking 1990", which appeared on the electronic score-board at the Chamsil Olympic Stadium(37).

China's decision to participate in the Asian Games set a precedent for future relations between China and S.Korea in both the political and the sporting arenas. China began to use the official name of S.Korea, "*Han-kuk*", rather than "*Nan-chao-xian*". Thus S.Korea was referred to as "*Han-kuk*" in a qualifying round for the Seoul Olympic Volleyball Games in Peking in June 1987(38). At a symposium on "Managing Strategy in the period of Internationalisation," sponsored by the Samsung Economic Institute, and held in Seoul on October 23, 1986, Kim Young-tai, Assistant Economic Planning Minister for International Policy Coordination, remarked: "This is just the beginning. We are waiting for China to accept the reality of the existence of S.Korea, and we are pursuing formal relations of all kinds with patience and diligence, anticipating the eventual establishment of a stable and peaceful co-existence with China"(39).

Peking repeatedly stressed that China and N.Korea still maintained an excellent relationship, and China continued to feign close ties with N.Korea in order to prevent the latter leaning too far towards Moscow for support. At the same time, however, China continued its attempt to forge new links with S.Korea, using various intermediaries to make contacts. China sent a large delegation to the Asiad in Seoul in September 1986, but shortly afterwards the Chinese President Li Xiannian, said during his visit to Pyongyang in October 1986, that China had no intention of forming a closer relationship with S.Korea. It is unlikely, however, that the N.Koreans were satisfied by these assurances, as Li was not regarded by them as a powerful or influential figure in the CCP(40). Moreover, on October 7, 1986, Politburo member Hu Qili denied speculation that Peking was on the point of establishing political ties with S.Korea(41). A Foreign Ministry spokesman later stated that the presence of a Chinese team in Seoul was not an indication of any change in China's position *vis-a-vis* S.Korea(42).



## **The "Two Koreas" Policy**

It was after the Seoul Asian Games that S.Korea began to benefit from China's new "Two Koreas" policy. One diplomatic official optimistically stated: "There is no question about it, the Peking-Seoul relationship is going places. It may take time, but it is coming"(43). Despite the objections of the N.Koreans, the 1986 Asian Games gave rise to further hopes, from the S.Korean point of view, of improvement in the relationship between Seoul and Peking.

The Chinese leaders publicly reaffirmed their long-standing opposition to any policy that would officially recognise the existence of two Koreas on the Korean peninsula. However, included in China's new policy towards S.Korea, was the idea of maintaining a balanced relationship with the two Koreas; that is of developing an equal relationship with the two countries in order to ensure the security of Chinese national interests.

Commenting on this matter, Deng Xiaoping remarked in February 1985 that "the one country, two systems concept was the way to solve both the Chinese and the Korean questions"(44). Around this time China was trying to settle the question of the return of Hong Kong and Macao to China, in 1997 and 1999 respectively, with the UK in 1984 and Portugal in 1986 on the basis of "one country, two systems" strategy. These processes reinforced Peking's view that an analogy between the Korean situation and the question of Taiwan offered an opportunity for China to justify her "Two Koreas" policy(45). Even though the Chinese leaders acknowledged important differences between her own "one country, two systems" unification policy and N.Korea's proposal of an united Korea under a confederal system, they nevertheless regarded the "one country, two systems" strategy as an essential part of a dual policy towards Korea.

Moreover, an exact parallel between the China/Taiwan and North-South Korean issues cannot be drawn. From Peking's point of view the Chinese-Taiwanese question was one of national sovereignty and, as such, was a local issue; whereas the North-South Korean relationship was an international issue - both states being recognised as autonomous by more than sixty countries. This led Peking to accept the existence of S.Korea as an international fact, and Peking no longer contested the legitimacy of S.Korea, although a direct relationship still did not exist between the two governments(46). During a visit to Peking in November 1986, the Japanese Prime Minister, Yasuhiro Nakasone, delivering a personal message from President Chun, suggested that although China was still reluctant to establish formal relations with S.Korea for fear of losing influence over N.Korea, Peking should "seriously consider" establishing trading offices in Seoul if the latter were prepared to switch its diplomatic allegiance from Taiwan to China(47).

At the same time, Peking repeatedly made it clear that China regarded the North-South contacts as a crucial prerequisite to establishing bilateral relations between China and S.Korea(48). In an interview with visiting Japanese correspondents in November 1984, Hu Yaobang asserted that "the further development of Chinese-S.Korean ties depend on how things develop between N.Korea and S.Korea"(49). To encourage broader dialogue between the two Koreas, Chinese leaders told Japanese leaders, on March 9, 1987, that Peking was studying the possibility of relaxing its policy *vis-a-vis* towards Seoul in order to prompt dialogue between North and South Korea. According to S.Korean sources, China sent Senior Communist International Liaison Department Chief, Zhu Liang, to Pyongyang in March 1987, to ask N.Korea to resume a dialogue with Seoul in order to reduce tensions between the two Koreas, and he also urged N.Korea to participate in the Seoul Olympics in 1988(50).



Peking did not object to the principle of "four-way talks" in which, it was hoped, official diplomatic channels would be opened between Peking and Seoul and also between Washington and Pyongyang. When S.Korea requested formal talks between N.Korea, S.Korea, China and the US, via the Japanese Prime Minister Yasuhiro Nakasone, Deng Xiaoping reportedly nodded his head in response to the request, but did not reply in the negative(51).

China then attempted to persuade Washington to be more flexible in its policies towards Pyongyang. For example, after Secretary of State George Shultz's visit to Peking in March 1987, at the request of China, the US agreed to a limited diplomatic dialogue with N.Korea, and offered to make further concessions if Pyongyang responded with positive gestures of its own. This move allowed US diplomats to make limited contacts with N.Korean officials, and was designed to induce the N.Koreans to participate in the 1988 Seoul Olympics(52). Xinhua welcomed the US decision to allow contacts between N.Korea and US, and noted that such consultations were a good basis for reaching an agreement on international issues(53).

In response to such pressures, and with tensions building between the two Koreas, Foreign Minister Choe Kwang-Soo, in his address to the S.Korean Assembly on September 17 1987, said that the S.Korean government would allow its diplomats to have contact with their N.Korean counterparts at both formal and informal functions around the world in order to encourage good relations with China(54).

### **The Impact of Chinese Political Reform**

The victory of the reformists regarding the process of modernisations was another important factor in the more pragmatic attitude China now took towards

S.Korea(55). From the mid-1980's onwards China began to appreciate the need for faster reforms as a prerequisite for future modernisation. In September 1985 the CCP held its first National Conference for 40 years; 131 elderly veterans of the Politburo and Central Committee resigned and the so-called "3rd Echelon" was integrated into the Politburo and the Central Committee. The intention was to revitalise the central leadership, and sixty-four "younger people", with an average age of 50.1 years, were chosen to take their places amongst the leaders. This new more professionally oriented leadership was regarded as favouring the policies of Deng Xiaoping, although some members who were critical of Deng's reforms remained in power(56).

Encouraged by the process of political reform in CCP, S.Korean scholars set about studying a translation of the speeches and writings of Peking's top leaders for remarks relevant to Chinese laws on trade and investment(57). Moreover, several Chinese historians participated in a conference on "The Study of Chinese Anti-Japanese Literature, 1937-1945" held by the Chinese Literary Society in Seoul, December 12-13, 1986(58). It had previously been Chinese policy to seat S.Korean delegates separately from delegates participating from other countries, but at an international conference in Japan, sponsored by the Institute for Far Eastern Studies at Kyungnam University, and held on November 24 1986, S.Korean and Chinese scholars were seated together for the first time, for a discussion of peace on the Korean peninsula and strategies of unification(59). China and S.Korea both participated in the Asian-Pacific conference on security in the Pacific, held in Kuala Lumpur on January 4 1987, and both countries attended a meeting of trade promotion organisations of Asian countries, held in Tokyo on May 19 1987. N.Korea was also represented at the first of these events(60).

Although S.Korea was concerned about the impact of student demonstrations in the provinces and Peking, and also about the possibility of a Chinese crack-down



on the democratic movement, S.Korean officials and scholars felt that tension in the CCP itself would not unduly influence China's external policies(61). In support of this view it may be noted that when Deng Xiaoping met a Japanese politician on June 4 1987 he said that "China would not support Pyongyang if it attacks S.Korea"(62). In an Interview with a Nodong Shinmun [Labour's Daily] delegation in 1984, however, Hu Yaobang was quoted as saying, "Should any country invade the northern part of Korea, we will, as we have stated, go all out to help you defeat the invaders"(63).

The South China Morning Post said that Hu's resignation was a great blow to progressive elements in China and could well set back the clock of reform by five to 10 years. But the power struggles in the CCP raised distinctly less concern in S.Korea than in the West. Although the leadership was embarrassed by the possibility of a challenge to Communist rule in China, the US Secretary of State George Shultz's meeting with Deng Xiaoping in Peking in March 1987 clearly indicated that the conservative forces were not going to prevail. Deng Xiaoping assured Shultz that China would not abandon the open-door policy which had brought unparalleled success during the preceding decade(64).

S.Korean commentators have made much of the growing economic ties between the two countries. One of the leading China-watchers of the ILHAE Institute [presently the Sejong Institute] in Seoul, O Jin-young, said that China's relations with S.Korea would remain unchanged because Hu had become a scapegoat of the campaign against bourgeois liberalisation. Regarding the appointment of the acting General Secretary of the CCP, Zhao Ziyang, he suggested that the relations between the two countries would be called "*Cho-Ja-yang si-daeul han-ban-do oye-kyo*" [The Korean peninsula diplomacy of the Era of Zhao Ziyang](65). In the view of S.Korean scholars as long as China's "open door" policies continued her policy towards S.Korea would remain unchanged. It was reported that the S.Korean Foreign

Ministry set up a special committee on Chinese affairs, under the Institute of Foreign Affairs and National Security, to provide the information needed to cope with the rapidly changing situation on the Korean peninsula(66).

### **Persuading N.Korea**

As has already been argued, the N.Korean lessons from Sino-Soviet *detente* were clear. As long as Sino-Soviet *detente* and reforms held, both Moscow and Peking tacitly cooperated in urging Kim Il-sung to toe the line on domestic reform in one of the most stalinist states in the communist world.

Neither China nor the USSR were being particularly forthcoming in assisting N.Korea's economic difficulties; as early as 1985 the Chinese indicated publicly that they would not extend much additional assistance to N.Korea(67). While N.Korea had nowhere to turn for friends it could be pressed to change or at least control its demands, and China was in an increasingly strong position when conducting its "Two Koreas" policy, attempting to nudge Pyongyang into at least resuming the language of political compromise with S.Korea.

The leverage that N.Korea once had on its communist patrons, playing one off against the other to maximise their support, was declining, and Peking had some success in persuading N.Korea to adopt a course of domestic reform that would have been hard to imagine a few years previously. This can be seen from China's behaviour towards the N.Korean President, Kim Il-sung, during his visit to Peking on May 21, 1987.

Deng Xiaoping is reported to have turned down Kim Il-sung's request for crude oil supplies during his visit to Peking--although he did agree to donate 100,000 tons of grain--allegedly because N.Korea had failed to pay back its existing crude oil debt



to the PRC(68). If true, this report would place the Chinese alongside the Russians--who appeared reluctant to make new economic commitments to Pyongyang and continued to insist on balanced trade, repayment of N.Korea's debt, and cash payments in all bilateral transactions--in their increasingly hard line towards N.Korea's economic management. Instead, Deng Xiaoping urged Kim, indirectly, to adopt an open-door policy. He stressed the continuity, as well as the success, of China's own open-door policy and suggested that Pyongyang open its doors to the outside world(69). Deng urged Kim to tour the SEZ in Shenzhen, in order that he might see for himself the success of China's economic developments(70).

Evidence of N.Korea's acceptance of such an open-door policy was found, on July 8, 1987, in the Hong Kong newspapers; some of which carried a front page advertisement for "N.Korean tourism"(71). The N.Korean airline, "Korean Airways", in conjunction with the N.Korean Tourist Bureau, were attempting to attract tourists from Hong Kong to N.Korea. Also participating in the promotion were "The Chinese Aviation Holiday Company Ltd" and "The Chinese Merchants Steam Navigation Tourist Company Ltd". Companies from Communist bloc countries had previously been banned by the British authorities in Hong Kong, but N.Korea ran its tourist business (and possibly other enterprises) with the help of Chinese organisations in Hong Kong(72). According to a S.Korean source, such a positive response to the Chinese suggestions would seem to indicate N.Korea's implicit acceptance of the Peking-Seoul relationship(73).

It has also been suggested that the Chinese leadership attempted to convince Kim that China's relations with S.Korea would also benefit N.Korea. The Chinese were instrumental in initiating N.Korean-US *rapprochement* in order to discourage N.Korean designs on the Korean peninsula, and Kim was asked to consider the cross-recognition option(74). Peking also seems to have influenced Washington by setting up meetings with N.Koreans at receptions and in other neutral locations; and

in April 1987, the US hinted at the possibility of lifting the trade ban with Pyongyang as part of the effort to reduce tension in the peninsula(75). Deng Xiaoping, in a meeting with a Japanese political leader on June 4 1987, made it clear for the first time that China had asked the US to contact N.Korea(76).

Whatever the purpose of Kim's visit, Peking adopted a policy of keeping "one foot in one camp and one foot in another", supporting some N.Korean policies, attempting to maintain friendly relations with Pyongyang, and developing extensive economic and unofficial ties with Seoul. According to The Asian Wall Street Journal Weekly, for example, at the time of Kim's visit to Peking some S.Koreans were also there to compete in a badminton tournament and to attend a conference on Dams, and the badminton match did make the sports news, but the conference passed unremarked by Chinese newspapers(77).

#### **Political Developments in S.Korea and the KAL Incident**

The S.Korean Presidential elections were seen, by the Chinese, to be the result of mass demonstrations in mid 1987. The elections were also viewed by China as indicative of a move from a military-led authoritarian government to a more democratic government. The majority of the pro-PRC newspapers in Hong Kong took a neutral view of the S.Korean situation and the general position was; "S.Korea has begun to shift from authoritarianism to an authoritarian-pluralistic political system"(78).

Moreover, when President Chun outlined the basis of a new constitution in the wake of nation-wide demonstrations, a spokesman for the Chinese Foreign Ministry stated: "we support S.Korea's efforts towards democracy"(79). The greatest concession made by Chun was the promise to conduct free and fair Presidential elections in S.Korea before the end of the year. Xinhua stated, through its



correspondent in Pyongyang, that "this was very healthy for S.Korea." This was in contrast to China's comment on Kim Dae Jung's return to Seoul from the US(80). After the controversial S.Korean Presidential election in 1987, China demonstrated that she had softened her attitude towards the new President-elect, Roh Tae-Woo, by writing "President" without double quotation marks in the newspaper Guangming Ribao [Illumination Daily], published December 18 1987(81). Pyongyang, meanwhile, condemned as "invalid" the December 16 1987 presidential election in S.Korea(82).

Chinese newspapers began to give S.Korean political affairs the same treatment as N.Korean affairs, and RMRB reported S.Korea's domestic affairs from its own point of view rather than from a N.Korean perspective. References to Presidential-candidate Roh's eight-point democratisation package, known as the "Yok-t-ku sun-on" [the Declaration of June 29], and the reshuffle of the S.Korean government Cabinet on July 17 1987, involved more than mere repetition of N.Korea's stance on S.Korean affairs, as had been the normal practice previously, for instance the report on dissident Kim Dae Jung on February 11 1985, which RMRB carried directly from the N.Korean newspaper Nodong Shinmun(83).

President-elect Roh viewed relations with China as being fundamental to S.Korea's foreign policy. In an interview with the Japanese newspaper, Asahi Shinmun, he revealed that his government wanted to move away from the somewhat reactionary attitude towards China and would work for the establishment of diplomatic relations with the "People's Republic of China"(84). With this purpose in mind he dispatched former S.Korean Foreign Minister, Park Dong-Jin, to Japan to sound out the possibility of his being invited to China.

In response to what China perceived to be a S.Korean strategy of *realpolitik* China publicly stated her neutrality. According to diplomatic sources cited by Kyodo on December 17 1987, China stated that she would make a "realistic approach"

towards the next S.Korean government(85). A Chinese Foreign Ministry spokesman said that China was principally concerned about whether the future situation in S.Korea would be conducive to peace on the peninsula(86). This was interpreted by many S.Korean China-watchers to be indicative of a qualitative change in the relationship between China and S.Korea(87).

China made public her efforts in clearing the ground for a *de facto* recognition of S.Korea, but N.Korea's terrorist activity against S.Korea in 1987 led China to review her approach to the peninsula. Pyongyang regarded the international system, and a situation which had been imposed by the major powers, to be the source of the military confrontation between N.Korea and S.Korea, and this attitude contrasted sharply with the Chinese contribution to peace on the Korean peninsula; indeed it could be regarded as being the most unstable factor in Northeast Asia.

Pyongyang's terrorist attack on KAL Flight 858, blowing up an airliner over the Andaman Sea on its way from Abu Dhabi to Bangkok in December 1987, and killing all of its 115 passengers, was most unwelcome to China. Peking feared that it would create a major conflict involving Peking and other major powers in Northeast Asia, and would destroy Peking's prospects for economic development both in the present and in the future(88). Peking had, increasingly, moved away from its traditional policies *vis-a-vis* Pyongyang, and China therefore reacted strongly to the N.Korean terrorist action, not merely expressing regret but also joining international sanctions against N.Korea.

The incident injured China's reputation as a country which could persuade N.Korea to undertake further action to promote stability on the Korean peninsula, and Peking was not in a position to offer objections to the West's sanctions against N.Korea. Furthermore, when the US halted diplomatic contacts with N.Korea, adding N.Korea to its list of countries sponsoring terrorism, Peking only offered a



perfunctory defence of Pyongyang's innocence(89). When the incident was discussed at the UN Security Council in 1988, a spokesman for the Chinese Foreign Ministry declined to criticise Washington's decision to rescind its earlier decision to permit contacts between American and N.Korean diplomats(90).

Such a stance convinced S.Koreans who had previously believed a Seoul-Peking partnership to be out of the question that such a partnership was indeed possible in the light of the Chinese policy towards the Korean peninsula. S.Korea began to take a fresh look at bilateral relations with China. It was reported that when he attended the 43rd annual session of the UN Economic and Social Commission of Asian and the Pacific (ESCAP), held in Bangkok, the Chinese Foreign Minister Wu Xueqian, held direct talks, for the first time, with the S.Korean Foreign Minister Choe Kwang-soo(91). Although this was denied by a Chinese Foreign Ministry official, S.Korea's government was actively pursuing improved relations with Peking. It is noteworthy that Choe said, during a debate sponsored by the press in the Kwanhun Club in January 1988, that "On the matter of S.Korea's relations with China I believe that S.Korea ought to increase both non-political and political exchanges with China"(92). It is clear that between 1985 and 1987 the Chinese were reasonably confident of their ability to maintain their relationship with the two Koreas; and Peking's behind-the-scenes contacts with Seoul are strongly indicative of a *de facto* recognition of S.Korea by China.

#### **4.2 Economic Relations**

Trade and economic ties between China and S.Korea were strengthened in the years 1985-1987, with the emphasis on direct trade rather than indirect trade; and the first joint Chinese/S.Korean business venture was established.

#### **Expanding Trade and the Growing Interdependence**

The mid-1980's witnessed significant success by China in cultivating the export market and in integrating her economy with the rest of world. Coupled with the expanding S.Korean trade this led to a growing interdependence between the two countries.

S.Korea became fully integrated into the world economy as a Newly Industrialised Economy (Hereafter NIE) and, given China's more pragmatic approach to the outside world, began to see the attractions of dealing with China. S.Korea sold electronics goods, textiles, and steel to China, and China sold agricultural products to S.Korea. The main items on S.Korea's shopping list were maize, raw cotton and sorghum. China's grain production peaked in 1984 at a level which was roughly three times that of 1950, whereas S.Korea's grain production had been declining for over a decade due to industrialisation which had claimed both land and labour(93).

S.Korea was happy to import much of the surplus grain from China at bargain prices. According to Cao Wan-tong, president of the China National Cereals, Oils and Foodstuffs Import and Export Corp., export of grains doubled in 1985 compared with 1984 owing to a lack of processing facilities in China(94). In 1985 S.Korea imported 200,000 tonnes of maize from China at a cost of US\$11-12 a ton on a free-of-board (Hereafter FOB) basis; this was very competitively priced in comparison to US agricultural products. Hence, China emerged as S.Korea's main supplier of maize in 1985. Some of China's most important maize-producing areas are in the Northeast, close to the S.Korean border, which made the arrangement convenient, reducing transportation costs and allowing the use of small vessels, which were able to enter shallow harbours at both ends of the transaction(95).

Corn was the most important S.Korean import from China and the six major S.Korean corn import companies, who handled 80.7% of the total corn imports in



1986-1987, took an average of 59.4% of their corn imports from China(96). One of the largest companies involved in the corn import trade with China was Hyosung and others are based in S.Korea, Hong Kong and Japan, e.g. Mitsui, The S.Korean General Trading Company, and Cargill(97). It has been reported that agents have attempted to promote S.Korean fertiliser sales to China in exchange for feedgrains. Following floods in 1984, which destroyed some of S.Korea's vegetable crop, garlic and red peppers were also imported from China(98).

### **The Role of Hong Kong in Circumventing Barriers to Trade**

There are important reasons why Hong Kong came to be of paramount importance to the trading relationship between China and S.Korea. Most of the trade was conducted through Hong Kong and the Chinese were aware that Hong Kong was the best place to meet S.Korean businessmen who were seen, by the Chinese, as sympathetic to and familiar with Western business skills. In 1985 80% of trade between the two countries was still routed through Hong Kong, the total value of the exchange being estimated at US\$1 billion, an increase of 19% over the previous year(99).

Following the opening up of China, various Chinese organisations, including foreign trade organisations affiliated to the Central Authorities, sent personnel to Hong Kong to set up companies there. Various branches were set up in Hong Kong to conduct trading with S.Korea, because although the Japanese already had a permanent office in China to manage their trade, the S.Koreans did not(100).

Of some importance in this context was the fact that the Hong Kong branch of the Xinhua, the official news outlet of the PRC, was allowed by the British to evolve into a *de facto* representative of the Peking government. Of particular interest to the S.Koreans was the availability of information about China that S.Korea needed in

order to conduct business with China, but which had hitherto been unobtainable. Many S.Korean business executives thought that a willingness on the part of S.Korea to use Hong Kong would enhance the relationship with China, for example the S.Korean Pohang Iron and Steel Company opened a branch, "Po-a shil-op gong-sa" [Po-a Business Company], in Hong Kong in 1985 for the purpose of establishing a trade in steel with China(101).

Direct trade was, however, made impossible on most occasions by China's refusal to accept goods with shipping documents issued by S.Korea. Goods from S.Korea bound for China were marked as destined for Hong Kong, then re-exported to China. This procedure was also employed for goods from China destined for S.Korea. According to grain traders in Hong Kong, S.Korea's feedgrain was purchased from China in the following manner:

Firstly, via Hong Kong and secondly through major organisations in S.Korea, such as the Korean Corn Processing Industries Association and the National Livestock Cooperatives Federation who put out tenders to the S.Korean general-trading companies, which then telex the information to traders in Hong Kong. Thirdly, the destination is deliberately confused by two bills of lading, one of which is destroyed during the journey. Fourthly, the traders involved in this highly competitive business are a mixed bag--a large number of small China-based operators with offices in Hong Kong, as well as international grain traders such as Cargill Inc. and Continental Grain(102).

Officials at Hong Kong & Shanghai Banking Corp., financial consultants for the Chinese-S.Korean trade, estimated that the total amount exchanged between the two countries exceeded US\$1.2 billion in 1986(103). Park Yong Chul, an expert on the Chinese economy at Korea University in Seoul, argues that although S.Korean exports to China through Hong Kong fell 22% to US\$276 million in 1986 because China restricted imports as a result of a foreign-exchange crisis, Hong Kong's tremendous trade growth with China was nevertheless boosted by S.Korea's exports to China. (according to figures released by the Hong Kong government, trade, via Hong Kong alone, grew 7% to US\$646 million in 1986)(104). It has also been



estimated that, in 1986 and 1987, 80-90% of S.Korea's exports to China went through Hong Kong(105).

## **Company-to-Company Contacts**

### **A. New Opportunities for Change**

The impetus for S.Korean companies to develop company-to-company contacts came from China. From the mid-1980's onwards China targeted three main areas of importance for foreign trade: 1) the import of industrial equipment and advanced technology, 2) the export of raw materials in order to increase the income from foreign exchange and, 3) the attraction of more foreign investment(106). In order to achieve these aims the government was obliged to make dramatic changes in policy and to allow Direct Foreign Investment (Hereafter DFI) in China. The result of this was that foreign investment totalling US\$3 billion was pledged, of which a billion dollars would be invested by the end of 1985. This led S.Korea to step up her personal contacts with China and encouraged direct company-to-company contacts(107).

China saw that increased business contacts with S.Korea would benefit China in several ways; China would gain valuable foreign currency and she would also benefit from S.Korean technology. China was a labour intensive, low-wage economy, whereas S.Korea was an increasingly medium- to high-wage economy with an abundance of skilled labour so that the benefits accruing from increased economic exchange were mutual(108).

China was also concerned by the huge imbalance in Sino-Japanese trade. It was felt that S.Korean technology was more appropriate to Chinese needs than that of Japan, and China therefore began to view S.Korea in a more favourable light as a

trading partner. From 1985 onwards China started to express dissatisfaction at the mounting trade deficit with Japan. Japan's trade surplus with China fell from US\$5.99 billion in 1985, to US\$ 2.59 billion in the first eight months of 1986(109). At the time of the Japanese Prime Minister's visit to Peking, in December 1985, he was warned that China would not tolerate another year of trade deficit with Japan(110).

After the resignation in January 1987 of the General Secretary of the CCP, Hu Yaobang, who had sought closer commercial ties with Japan, Chinese leaders began to take a more critical view of the increase in the Japanese defence budget, as well as Japan's closer business links with Taiwan. Prior to this, China had exported products to S.Korea at higher prices than to Japan, but now the situation was reversed. For example, in July and August 1987, China sold Datong coal at \$28 a ton to Japan and at \$24 a ton to South Korea. The FOB prices of Chinese ferrosilicon sold to Japan ranged from \$495 to \$500 per ton, whereas the FOB prices to S.Korea through Hong Kong businessmen ranged from \$430 to \$440 per ton. The prices of ferrosilicon exported to both Japan and S.Korea increased following price rises in November 1987(111).

Japan was only interested in exporting industrial and consumer products to China and in importing raw materials from China, so that Japanese investment in China was minimal. Japanese financial and technological investment in China lagged behind that of investors from other countries largely due to Japanese concerns about the Chinese economic climate. According to Nigel Campbell's survey in 1985, Japanese business people living in China feared that Japanese investment in China would lead to the so-called "boomerang" effect such as had been observed in the case of American investment in Japan(112).



Moreover, Japanese companies always retained control over equipment exported to China; for example China imported a Japanese refrigerator production line, but compressors could not be manufactured on the line, and China was consequently obliged to import compressors from Japan. It was in such ways that imports to China from Japan were increased(113).

China therefore reviewed her economic relationship with Japan, and it was felt that S.Korea could be an important source of the goods and technology necessary for modernisation, at a competitive price compared to Japan. As a result the Chinese shifted their allegiance to the S.Korean market.

### **B. Moving towards Joint Ventures**

The relationship between China and S.Korea developed at a rapid pace, particularly after 1985 when the Chinese effectively lifted the ban on visits by S.Koreans. The S.Korean government, as well as S.Korean businessmen, intensified their efforts to break into the Chinese markets. The Chinese leaders were still to some extent reluctant to endorse S.Korean initiatives for fear of offending the N.Koreans, but despite this constraint China introduced in 1985 a flexible method by which S.Korean businessmen could visit China.

Thereafter, according to sources in Seoul, a large number of S.Koreans, under the pretext of "*Hyop-ryok-cha bang-mun*" [working visits], had entry visas which approved by China(114). This followed on from the granting of visas to S.Koreans to attend the International Technology Exchange Fair held in China. S.Korea's role as host for meetings of the most prestigious and influential of global economic organisations, such as the World Bank and the International Monetary Fund (Hereafter IMF) Conferences, added to her stature in Chinese eyes, encouraging moves towards freer access by S.Korean businessmen.

In September 1985, Chinese representatives attended a workshop in Seoul to combat protectionism in the textile trade, and to develop a cooperative position to actively oppose renewal of the MFA(115). In October 1985, a 22-member delegation, headed by Liu Hung-ju, vice president of the "People's Bank", attended the 40th annual joint meeting of the IMF and the International Bank of Reconstruction and Development (Hereafter IBRD) in Seoul(116).

A example of a successful Chinese-S.Korean joint venture is that of Daewoo in Fujian. Daewoo's chairman Kim Woo Choong was a typical example of the growing number of pro-Peking business executives in S.Korea who visited China to discuss the possibility of establishing business relations. In 1985 he visited China no less than five times at the invitation of Chinese ministries interested in doing business with him. According to interviews, the Chinese told him that they would like the S.Koreans to help them develop their own mineral resources and also to act as major buyers. Moreover, they made it clear to him that the absence of diplomatic relations between Seoul and Peking posed no problem. In response to these offers, Kim explained that S.Korea would prefer to enter into joint ventures with China indirectly, using Hong Kong companies as intermediaries(117). According to The Economist, five-tiered lines of communication connecting Daewoo Corporation in New York with Ming Long Development Company of Jujina Enterprises resulted in the establishment of a US\$10 million refrigerator joint factory in Fujian province(118). Discussions were also hold pertaining to three further projects by Daewoo: i) a car plant in Fuzhou with General Motors as a partner; ii) a coal mining venture in Shanxi; and iii) a power plant project in Nanjing(119).

Several big S.Korean conglomerates, including Daewoo, Hyaosung, Lucky-Gold Star, Samsung, and Hyundai, attempted to establish contacts with Chinese companies by sending Korean-American scouts to assess the prospects for such



projects as cement plants, harbour construction, fishing-rod production, coal development and others(120). S.Korean construction companies, who had gained experience in major building projects in the Middle East and elsewhere, were also anxious to develop business with China and, according to Nicholas R. Lardy, some companies did succeed in securing contracts in China and made use of Chinese labour in these projects(121).

There were reports of small scale S.Korean companies receiving government-subsidised loans to trade with China(122). Directly after the Daewoo transaction was concluded the S.Korean Association of Small-Medium Companies (Hereafter KSMCA) sent a delegation to China to discuss the possibility of dealing in electronic components and chemicals. S.Korea was specifically interested in doing business with the China International Trust and Investment Corp. (Hereafter CITIC) (123). Furthermore, the S.Korean Plastic Industry Corporation (Hereafter KPIC), comprising medium sized S.Korean companies, reached agreement with the Liaoning provincial government to produce melamine dinnerware in Liaoning province(124). Thus Park Soo-gil, a leading S.Korean government Foreign Ministry official, said "It isn't a matter of if we're going to have closer relations with China, but when; it could take five years, or it could take a decade"(125). The Chinese practice of linking political considerations to trade, as far as S.Korea was concerned, and therefore refusing to trade directly with S.Korean companies, was distinctly weakened by Daewoo's first joint venture with China.

### **The Beginning of Direct *Entrepot* Trades**

In the summer and autumn of 1987, direct shipments of goods between China and S.Korea were made. Such direct shipments have increased rapidly since 1987, but are still officially classified as indirect trade, so-called "Direct *Entrepot* Trade",

because payment has to be arranged in Hong Kong due to the lack of official political and commercial links(126).

China began to separate politics from economic considerations from the mid-1980's onwards and began to relax control over several provinces, particularly the provinces bordering on S.Korea, in order to simplify trade proceedings(127). It should be noted here that Zhao Ziyang, in his key speech at the Asia-Pacific Economic Cooperation (Hereafter APEC) meeting in 1986, remarked that the Asia-Pacific countries needed to overcome the enemy of their own ideological and political system in order to negotiate economic cooperation, and that the different political systems in other countries should be respected(128). It is only a fourteen hour trip by sea from Qingdao in China to Inchon in S.Korea and this accessibility, plus the fact that both China and S.Korea are active participants in many of the Asian Pacific Organisations, made direct trade inevitable.

China therefore made great efforts to exploit her geo-economic position, and the Chinese announced the decision to open up the Shandong and Liaoning peninsulas, with the formal establishment of SEZs scheduled the end of 1992. Trade officials and businessmen in Seoul viewed the Shandong and Liaoning peninsulas as prospective partners, and the S.Korean government announced, in 1987, a large-scale development plan, the so-called "*Soh-hae-an kea-bal kae-hoik*" [Project of the west coast development], for its western coastal region. S.Korea's plan to establish four large-scale industrial complexes, Namyang gongdan, Daesan gongdan, Kwangyok sanopgiji, and Dabul gongdan, coincided with the Chinese announcement concerning the opening up of the Shandong and Liaoning peninsulas(129). S.Korea's plan was welcomed, semiofficially, by Pu shan, president of the *Zhong-guo shi-jie jing-ji xue-hui*, [Chinese Association for International Economic Research], who stated it would be necessary for China to cooperate closely with the NICs, including S.Korea, in order to develop her coastal areas(130).



It is necessary to look at the coal trade in order to see how and why China and S.Korea began to engage in direct trade. Prior to the early 1980's there had been a glut of coal on the international market. China's main foreign purchasers of coal were Japan and S.Korea and, although other countries were in need of coal, China was less interested in selling to them because of the high transportation costs. China offered coal to S.Korea at a cost of US\$ 24 a ton as compared to US\$ 28 a ton to Japan(131). The CCIEC sent personnel to S.Korea to market Chinese coal and also to act as agents. In addition, the CCIEC also invited major S.Korean coal clients to China to inspect coal production and transportation(132).

Although direct trade with S.Korea was likely to offend the N.Koreans, China had probably obtained a tacit agreement that they would accept the reality of Chinese-S.Korean trade. Deng Xiaoping had promised Kim Il-sung, during his visit to Peking on 21 May 1987, 10 million tons of grain as payment for N.Korean acceptance of Chinese-S.Korean trade(133). Moreover, the Chinese leadership attempted to convince Kim that a healthy economic relationship between China and S.Korea would be of equal benefit to N.Korea. Evidence of the success of this pressure can be seen from Daewoo's Fujian project, work on which had been put on hold due to pressure from N.Korea in 1986, but which was resumed in early 1987. On November 9, 1987, Hu Qili, a newly-named member of China's Politburo Standing Committee, said China would trade directly with S.Korea but only with the consent of the North(134).

The above three reasons cannot, however, entirely explain the Chinese decision to engage in direct trade with S.Korea. It is also necessary to look more closely at the internal situation in China. Due largely to internal difficulties within China, notably double figure inflation, corruption, and the changing income distribution after 1984, there was a widespread demand for further economic reform

in order to strike a better balance between a socialist economy and market mechanisms(135). According to a survey conducted by Gongren Ribao [Worker's Daily] in January 1987, 84.9% of those questioned said that the reforms to date had improved their standard of living. 83% stated that they believed production had increased as a result of the reforms. 82% said the market supply was better, and 62% said there were now more opportunities to make money. On the other hand, 60.6% said they were not satisfied with their income(136).

With the promulgation by the CCP of open-door policies there were now debates over how to combine the free market mechanism with socialist planning so as to develop China's internal market as well as the foreign trade market(137).

In his report to the 13th National Congress of the CCP, in October-November 1987, Zhao Ziyang pointed out that at China's level of economic development the theory of "*She-hui-zhu-yl chu-qi-jie-du-an*" [the initial stage of socialism] allowed for co-operation with foreign countries and companies, this being necessary for technological and financial reasons. He also said that the rules for long-term economic reform had been rewritten so that China had to grasp all such opportunities in the not too distant future in order to gain strength for the Four Modernisations(138). David S.G. Goodman argued in The Pacific Review that at the 13th National Congress of the CCP, 25 October-1 November 1987, the theory of the initial stage of socialism proved capable of absorbing major political and economic reforms, so as to adequately meet the perceived economic objectives(139).

The political reforms which took place in the CCP in 1987 caused considerable internal conflict. Nevertheless Chinese leaders were willing to compromise in order to build up trade with S.Korea, and also to modernise the Chinese economy. From 1987, China and S.Korea began to enjoy a mutually beneficial good business relationship. It became possible to obtain S.Korean shipping documents so that



ships and their cargo were able to proceed directly from China to S.Korea without docking in a third country. Ships sailing from S.Korea could now call at Chinese ports with the tacit consent of the Chinese authorities.

Although intermediaries were still used, direct trade was growing. China had relaxed her regulations and, according to statistics compiled by S.Korea, the total volume of Chinese-S.Korean trade amounted to US\$1.27 billion: Chinese exports to S.Korea totalled US\$620 million or more, and Chinese imports from S.Korea totalled were just over US\$640 million. This latter figure being approximately three times the value of the Pyongyang-Peking trade, which totalled US\$194 million, according to S.Korean figures(140). In the Asian Wall Street Journal Weekly, the Chinese-S.Korean economic relationship was summed up in the words of a S.Korean executive who visits China regularly: "You know, China loves Koreans. They envy us. And they would like to develop a closer relationship-as soon as possible"(141).

#### **4.3 Conclusions**

From 1985 onwards there were substantial improvements in Sino-S.Korean relations, both politically and economically. China overcame N.Korean hostility to her improved relationship to S.Korea and maintained a more equal relationship with the two Koreas.

The effects of the Sino-Soviet *detente*, insofar as it influenced Sino-S.Korean relations, were twofold: N.Korea became isolated, with neither of her patrons lending any support for her violent ambitions for reunification; and Chinese and Soviet interests came to coincide, in that both were more interested in S.Korea as a potential economic partner vital to their respective economic reform programmes than in ideological partnership with N.Korea. Competition for S.Korea trade and

capital prompted a new flexibility on the part of the Chinese, who feared being left behind by the Soviets, and the N.Korean factor was effectively neutralised.

China was steadily moving towards substantive relations with S.Korea, now that N.Korea could not exercise any leverage by playing the Soviet card, and at last developed her "Two Koreas" policy. China's actions in this period moved it to *de facto* recognition of S.Korea, precipitated by the entry of a Chinese torpedo boat into S.Korean waters in 1985. Also of significance was the Chinese participation in the 1986 Asian Games in Seoul.

The pattern of trade which developed between China and S.Korea came about through Peking's willingness to move away from indirect trade to direct trade with Seoul. Daewoo's first initiative towards a joint venture with China, through subsidiary companies, was openly discussed in direct company-to-company contacts. Ships were now routinely carrying cargo directly to China from S.Korea, and it can be seen that S.Korean efforts to establish trading relations with China had borne fruit.

In the process of recasting Peking's "Two Koreas" policy, between 1985 and 1987, relations between China and S.Korea moved substantially closer, both politically and economically. Once China was able to persuade N.Korea to accept the reality of Chinese-S.Korean relations it became possible to conduct a more balanced policy between Seoul and Pyongyang, avoiding any appearance of favouritism, and maintaining a deliberate distinction between words and actions in pursuance of China's "Two Koreas" policy.



## Notes

- (1) Robert A. Scalapino, 'Key Strategic Issues in Northeast Asia: Sino-Soviet Relations and Developments on the Korean Peninsula,' in Robert A. Scalapino and Masataka Kosaka, ed., *Peace, Politics and Economics in Asia: The Challenge to Cooperation* (Washington, D.C: Pergamon-Brassey's, 1988), pp. 35-61; James Cotton, 'Sino-Soviet Relations and Korea,' *The Pacific Review*, vol.1, no.3, 1988, pp. 296-305.
- (2) A way was opened for a *rapprochement* in Sino-Soviet relations by China's acknowledgment of Gorbachev's announcement of a new approach to the Asia-Pacific region, and the concessions offered on the so-called "Three Obstacles" in a major olive-branch speech delivered at Vladivostok in July 1986. At the same time China made steady progress not only in consolidating common security interests with the US against the USSR in response to the rise to power of the Gorbachev leadership, but also in encouraging Moscow to curb its military build-up in Asia thus reducing its pressure against China. See Robert Sutter, 'China: Coping with the Evolving Strategic Environment,' in Young Whan Kihl and Lawrence E. Grinter, ed., *Security, Strategy, and Policy Responses in the Pacific Rim* (London: Lynne Rienner Publishers, 1989), pp. 105-124; Kyodo, August 7 1986, in *BBC/SWB/FE/8331/1*.
- (3) James Hsiung, 'Sino-Soviet Detente and Chinese Foreign Policy', *Current History*, September 1988, p. 245.
- (4) Zheng Baoqin, 'The Situation on the Korean Peninsula Trends towards Relaxation,' *Ban Yue Tan*, no.2, January 25, 1985, in my own *FBIS-China*, February 28, 1985, pp. D1-2.
- (5) Gerald Segal, 'Taking Sino-Soviet Detente Seriously,' *The Washington Quarterly*, Summer 1989, p. 57.
- (6) Herbert J. Ellison, *The Soviet Union and Northeast Asia* (London: University Press of America, 1989), p. 17-19.
- (7) Gorbachev's speech at Vladivostok in July 1986 contained important words on Korea: "We have the opportunity not only to remove the dangerous tension on the Korean peninsula, but also to enter the path of solving national problems for the entire Korean people". The speech was important not only for the North, where Kim Il-sung described it as "a great encouragement for our people," but also in the South, where the issue of dialogue with the North and efforts towards reunification had acquired a new prominence and urgency in political discourse. See *Pravda*, July 29, 1986; Gerald Segal, 'Sino-Soviet Detente: How Far How Fast,' *The World Today*, May 1987.
- (8) Roy U.T. Kim, 'Moscow-Seoul Relations in a New Era,' *The Pacific Review*, vol.2, no.4, pp. 339-350.
- (9) Ralph N. Clough, *Embattled Korea: The Rivalry for International Support* (Boulder: Westview Press, 1987), pp. 334.
- (10) No Chinese comments at all for N.Korea's claim of SR-71 violations between 1985-1987, in *BBC/SWB/FE*. For N.Korea's claim, see KCNA, March 26 1985, in *BBC/SWB/FE/7909/A3/3*.
- (11) James Cotton, 'Sino-Soviet Relations and Korea', p. 300. For China's regional power, see Steven I. Levine, 'China in Asia: The PRC as a Regional Power,' in Harry Harding, ed., *China's Foreign Relations in the 1980's* (New Haven, Conn.: Yale University Press, 1984), p. 107.
- (12) Shim Jae Hoon, 'The Kusan Incident,' *FEER*, April 4 1985, pp. 10-11; Yonhap, March 26 1985, in *BBC/SWB/FE/7909/A3/1*.
- (13) Seoul Home Service, March 25 1985, in *BBC/SWB/FE/7908/A3/1-3*. For S.Korea's acceptance of the Chinese apology and explanation about the torpedo boat, see Seoul Home Service, March 27 1985, in *BBC/SWB/FE/7910/A3/1*.
- (14) For the full text, see Xinhua, March 29 1985, in *BBC/SWB/FE/7912/A3/1*. *Hankuk Ilbo*, April 23, 1985, p. 1.

- (15) Yonhap, March 13 1985, in *BBC/SWB/FE/W1329/A/14*; April 23 1985, in *BBC/SWB/FE/7929/1*; April 20 1985, in *BBC/SWB/FE/7930/1*; April 23 1985, in *BBC/SWB/FE/7932/1*; June 19 1985, in *BBC/SWB/FE/7981/1*; Ralph N. Clough, *Embattled Korea*, p. 344.
- (16) *South China Morning Post*, October 9, 1986; *Korea Herald*, October 11, 1986.
- (17) 'Chinese planes on [South]Korean soil,' KA 1986, 23th Annual Edition (Seoul: Yonhap News Agency, 1986), pp. 36-38.
- (18) Nicholas R. Lardy, *China's Entry into the World Economy: Implications for Northeast Asia and the United States* (London: University Press of America, 1987), p. 29.
- (19) My personal interview with Jae Hyun Yoo, Hong Kong, July 2, 1990. For Hong Kong's economic prospects, see Miron Mushkat, *The Economic Future of Hong Kong* (London: Lynne Rienner Publishers, 1990).
- (20) Yonhap, April 23 1985, in *BBC/SWB/FE/7932/1*.
- (21) Kyodo, October 28 1985, in *BBC/SWB/FE/8093/1*.
- (22) *Hankuk Ilbo*, May 12, 1985, p. 1.
- (23) For a fuller discussion of China's non-political contacts with S.Korea, see Ralph N. Clough, *Embattled Korea*, p. 336-351.
- (24) *Hankuk Ilbo*, January 21, 1987, p. 1.
- (25) I personally learnt this, while I was accompanying him in Taipei, Taiwan on his way to home via Hong Kong in 1986.
- (26) Yonhap, January 17 1986, in *BBC/SWB/FE/8159/A3/4*.
- (27) *Hankuk Ilbo*, October 12, 1986, pp. 4-5.
- (28) John McBeth, 'Sport and strategy,' *FEER*, November 13, 1986, pp. 40-41.
- (29) *Korea Herald*, August 26, 1986, p. 1.
- (30) Kyodo, July 23 1985, in *BBC/SWB/FE/8010/1*.
- (31) Kyodo, July 1 1986, in *BBC/SWB/FE/8299/1*; August 21 1986, in *BBC/SWB/FE/8340/1*.
- (32) Kyodo, November 17 1987, in *BBC/SWB/FE/0002/A3/5*.
- (33) Xinhua, August 21 1986, in *BBC/SWB/FE/8343/1*.
- (34) *Ibid*, September 15, 20, 1986, p. 1; AFP, September 19 1986, in *BBC/SWB/FE/8368/1*.
- (35) *Ibid*, September 20, 1986, p. 1.
- (36) *Ibid*, September 24, 1986, p. 4.
- (37) *Hankuk Ilbo*, October 6, 1986, p. 5.
- (38) *Chosun Ilbo*, June 6, 1987, p. 1
- (39) Quoted from The Samsung Institute of Economic Studies, *The Recent Economic Situation of China and the prospect of the South Korean-Chinese Economic Exchanges* (Seoul: The Samsung Institute of Economic Studies, 1988), p. 91; And for Taiwan's participation of the OCA, see *Dong-a Ilbo*, September 26, 1986, p. 3.
- (40) *Korea Herald*, October 10, 1986, p. 4. During his visit, Li Xiannian said that "the N.Korean people will continue to make efforts to strengthen the traditional N.Korea-China friendship," And again: "It is an unshakeable policy of our party and our government to constantly develop and strengthen the friendly and cooperative relations between China and North Korea."
- (41) *Dong-a Ilbo*, October 7, 1986, p. 1.
- (42) *The People's Daily* [Renmin Ribao], (Overseas Edition), September 12, 1988, p. 2.
- (43) This quotation was made by Ambassador Kim Kyong-won in his interview with a Correspondent of *Hankuk Ilbo*, See *Hankuk Ilbo*, July 10, 1987, pp. 4-5.
- (44) Deng Xiaoping made this remark to British Foreign Secretary Geoffrey Howe in April 1984, but it was reported by Xinhua, February 3, 1985, in *FBIS-China*, February 4, 1985, p. A1. Quoted from Jonathan D. Pollack, 'U.S.-Korean Relations: The China Factor,' in Robert A. Scalapino and Han Sung-joo, ed., *United States-Korea Relations* (Berkeley: Institute of East Asian Studies, University of California, 1986), p. 195.



- (45) China and Portugal opened formal negotiations on 30 June 1986 for the return of Macao to full Chinese sovereignty and on 6 January 1987 the Portuguese Council of State agreed that withdrawal from Macao should take place in 1999, noting that the Chinese Government had promised to uphold those rights and freedoms currently enjoyed by the residents of Macao for a 50-year transitional period, effective from 1999.
- (46) For the two Koreas' diplomatic competition and recognition, see Ralph N. Clough, *Embattled Korea*, pp. 274-283.
- (47) Xinhua, November 10 1986, in *BBC/SWB/FE/8413/1*; *Hankuk Ilbo*, November 20, 1986, p. 1; Xinhua, November 14 1986, in *BBC/SWB/FE/8417/1*.
- (48) See, for example, Zheng Baoqin, 'New Developments in North-South Korean Dialogue,' *Ban Yue Tan*, no.14, July 25, 1985.
- (49) *Nihonkeizai Shimbun*, [Japanese Economy Paper], November 26, 1984, p. 7.
- (50) *Korea Herald*, March 12, 15, 1987, p. 4.
- (51) For S.Korea's proposal of "4-way talks", see Chae Jin Lee, 'The Role of China in the Korean Unification Process' a paper presented at the International Conference for Peace and Unification of Korea, October 24-27, 1985, Chicago. For the tepid Chinese response to S.Korea's proposal, see *Korea Herald*, November 3, 1986, p. 1.
- (52) *Ibid*, March 15, 1987, p. 1.
- (53) Xinhua, March 19 1987, in *BBC/SWB/FE/8522/A3/3*.
- (54) Yonhap, September 17 1987, in *BBC/SWB/FE/8676/1*; *Hankuk Ilbo*, November 12, 1987, p. 4; Samuel S. Kim, 'China and the Third World: In Search of a Peace and Development Line,' in Samuel S. Kim, Second Edition, Fully Revised and Updated, *China and the World: New Directions in Chinese Foreign Relations* (London: Westview Press, 1989), p. 170.
- (55) For general surveys of issues of "China's political development" see B. Womack, 'Modernisation and Democratic Reform in China', *Journal of Asian Studies*, vol.XLIII, 1984, pp. 417-439; David S.G. Goodman, 'The Chinese Political Order after Mao: Socialist Democracy and the Exercise of State Power', *Political Studies*, vol.XXXIII, 1985, pp. 218-235. For S.Korea's transformational political processes, see James Cotton, 'From Authoritarianism to Democracy in South Korea,' *Political Studies*, vol.XXXVII, no.2, June 1989, pp. 244-259.
- (56) Simon Long, 'Political Reform,' in Gerald Segal, ed., *Chinese Politics and Foreign Policy Reform* (London: Kegan Paul International for RIIA, 1990), p. 37-60. Further, the sixth plenary session of the 12th CCP Central Committee, held in September 1986, signalled the onset of an ideological struggle between contending factions within the Chinese leadership; the deaths of leading conservative Marshals Ye Jiaoping and Liu Bocheng, who had opposed Deng's reform policy, allowed the reformists to carry their pragmatic foreign policy further. See Kenneth Lieberthal and Michel Oksenberg, *Policy Making in China Leaders, Structures, and Processes* (Princeton, N.J.: Princeton University Press, 1988), p. 36.
- (57) My personal Interview, held in Seoul in October 3, 1990 with Mr Cho Hyeundong, who participated in the project of translation of Chinese materials for Samsung in 1985.
- (58) *Hankuk Ilbo*, December 13, 1986, p. 1.
- (59) *Ibid*, November 23, 1986, p. 1.
- (60) Bernama, January 4 1987, in *BBC/SWB/FE/8458/1*; Kyodo, February 9 1987, in *BBC/SWB/FE/8489/1*.
- (61) *Hankuk Ilbo*, January 18, 1987, p. 5; *Korea Herald*, January 18, 1987, p. 1; Jean-Luc Domenach, 'Ideological Reform,' in Gerald Segal, ed., *Chinese Politics and Foreign Policy Reform*, pp. 19-36.
- (62) *Hankuk Ilbo*, June 5, 1987, p. 5.
- (63) *BR*, April 9, 1984, p. 9. Quoted in Chae-Jin Lee, 'The Role of China in the Korea Unification Process,' *Asian Perspective*, vol.10, no.1, Spring-Summer, 1986, pp. 102-103. It is plain that Peking was no longer willing to refrain from

- useful international activities in order to avoid disturbing. It is a clear indication that Peking hoped to persuade North Korea to get on the right track so as to serve the cause of regional peace and stability.
- (64) *Korea Herald*, March 4, 1987, p. 3.
  - (65) O Jin Yong, 'Cho-Ja-yang si-daeul-han-ban-do-oye-kyo', [The Korean peninsula diplomacy of Era of Zhao Ziyang], *Hankuk Ilbo*, November 11, 1987, p. 5.
  - (66) Yonhap, February 3 1987, in BBC/SWB/FE/8482/1.
  - (67) O Jin Yong, 'Cho-Ja-yang si-daeul-han-ban-do-oye-kyo', [The Korean peninsula diplomacy of Era of Zhao Ziyang], p. 5.
  - (68) The Economist Intelligence Unit (EIU), Country Report, No.4, 1987--China, North Korea (London: The Economist Publications Limited, 1987), p. 28.
  - (69) *Korea Herald*, May 26, 1987, p. 5; *Hankuk Ilbo*, January 5, 1988, p. 12.
  - (70) *Korea Herald*, May 26, 1987, p. 5.
  - (71) *Hankuk Ilbo*, January 5, 1987, p. 5.
  - (72) *Ibid.*, February 5, 1987, p. 5.
  - (73) *Joongang Ilbo*, December 30, 1987, p. 1.
  - (74) *Ibid.*, May 26, 1987, p. 5.
  - (75) Xinhua, March 11 1987, in BBC/SWB/FE/8515/1; March 19 1987, in BBC/SWB/FE/8522/1.
  - (76) *Joongang Ilbo*, June 5, 1987, p. 5.
  - (77) Joseph P. Manguno and James R. Schiffman, 'Beijing and Seoul: Arms-Length Flirtation,' *The Asian Wall Street Journal Weekly*, July 10, 1987, p. 10.
  - (78) Park Byong-Suck, 'Jung-gong han-kuk-satae bi-sang-han kwan-sim', [China's concerns about South Korea's crisis], *Joongang Ilbo*, June 24, 1987, p. 3. For a discussion of S.Korea's domestic political development, see James Cotton, 'From Authoritarianism to Democracy in South Korea,' p. 244-259.
  - (79) *Joongang Ilbo*, July 2, 1987; *The People's Daily* (Remin Ribao), (Overseas Edition), July 2, 1987.
  - (80) *Joongang Ilbo*, July 13, 1987, p. 1. For China's comments on Kim's return, see Xinhua, February 11 1985, in BBC/SWB/FE/7872/A3/2.
  - (81) *Chonsun Ilbo*, December 26, 1987, p. 1.
  - (82) KCNA, December 21 1987, in BBC/SWB/FE/0031/1.
  - (83) *The People's Daily* (Remin Ribao), (Overseas Edition), February 11, 1985, July 2 and 17, 1987.
  - (84) Kyodo, November 30 1987, in BBC/SWB/FE/0013/1; *Hankuk Ilbo*, December 20, 1987, p. 1.
  - (85) Kyodo, December 17 1987, in BBC/SWB/FE/0029/1.
  - (86) *Hankuk Ilbo*, December 20, 1987, p. 1.
  - (87) Kim Chul, 'Sae-gae-hwan-sim-do-in- han-jung-gang-gae-seon', [Chinese-South Korean relations Improved by Focusing on World Concerns], *Chonsun Ilbo*, December 25, 1987, p. 3.
  - (88) John McBeth, 'Homing in on the wreckage,' *FEER*, December 24, 1987, p. 15.
  - (89) Samuel S. Kim, 'China and the Third World: In Search of a Peace and Development Line', p. 170.
  - (90) *Korea Herald*, January 29, 1988, p. 1.
  - (91) Kyodo, April 25 1987, in BBC/SWB/FE/8552/1. Later on China dismissed reports of China-S.Korea direct talks. See Xinhua, April 30 1987, in BBC/SWB/FE/8555/1.
  - (92) *Hankuk Ilbo*, January 8, 1988, p. 3.
  - (93) Kim Chul, 'Sae-gae-hwan-sim-do-in han-jung-gang-gae-seon,' p. 3.
  - (94) Nicholas R. Lardy, *China's Entry into the World Economy*, p. 54.
  - (95) *Ibid.*
  - (96) Jae Ho Chung, 'South Korea-China Economic Relations,' *AS*, vol.XXVIII, no.10, p. 1039.
  - (97) *Ibid.*, p. 1040.
  - (98) Paul Ensor, 'Grains of a secret,' p. 54.



- (99) *Kyungje Tonggae Yonbo 1991* [Economic Statistic Yearbook] (Seoul: The Bank of Korea, 1991), pp. 218-219.
- (100) Min Kook Hong, 'Chung-kuk-inui han-kuk-i-hae', [The Chinese interest in South Korea], *Hankuk Ilbo*, July 19, 1987, p. 5.
- (101) *Joongang Ilbo*, December 30, 1987, p. 5. S.Korea was aware of the Chinese need for financial support and the School of Law in Peking University also reportedly planned to negotiate with the Pohang Steel and Mill Company to finance a new building at the University. See *Chosun Ilbo*, December 25, 1987, p. 1.
- (102) Nicholas R. Lardy, *China's Entry into the World Economy*, p. 56.
- (103) Joseph P. Manguno and James R. Schiffman, 'Beijing and Seoul: Arms-Length Flirtation,' p. 10; Chen, 'US-China Trade Patterns,' *The China Business Review*, May-June, 1987, pp. 32-33.
- (104) *Hong Kong Annual 1987* (Hong Kong: Hong Kong Government Publications, 1987), p. 422.
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- (108) David Dollar, 'South Korea-China Trade Relations: Problems and Prospects,' *AS*, vol.XXIX, no.12, December 1989, p. 1168.
- (109) Laura Newby, *Sino-Japanese Relations: China's Perspective* (London: Routledge for RIA, 1988), p. 10.
- (110) *Korea Herald*, November 3, 1986.
- (111) Shin Hua, 'South Korea has become China's new trade partner,' *Nien-tai* [The Ninetieth], no.216, January 1, 1988, p. 65.
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- (114) My personal Interview with Jae-Hyun Yoo.
- (115) *Hankuk Ilbo*, September 12, 1985, p. 4.
- (116) *Ming Pao*, September 19, 1985, p. 3; Ralph N. Clough, *Embattled Korea*, p. 296.
- (117) My personal Interview with Jae-Hyun Yoo.
- (118) The names of the firms and their relationships are from two articles in *The Economist*, 'Trade Precedes the Flag,' November 2, 1985, pp. 76-77; and 'Trade Flows Where No Diplomatic Goes,' March 22, 1986, pp. 74-75. Also see Han S. Park and Kyung A. Park, 'China and Inter-Korean Relations,' *The Korean Journal of International Studies*, vol.17, no.3, Summer 1986, pp. 33-34.
- (119) *Joongang Ilbo*, December 28, 1987.
- (120) Jae Ho Chung, 'South Korea-China Economic Relations,' p. 1043.
- (121) Nicholas R. Lardy, *China's Entry into the World Economy*, p. 29.
- (122) Zhu Songbo, 'Zhong-han guanxi de huigu yu zhangwang', [Retrospective and prospective Relations between the ROC and the ROK], *Wenti yu yanjiu* [Issues and Studies], August 1987, pp. 12-21, especially, p. 13.
- (123) It was revealed later in *Joongang Ilbo*, May 30, 1988, p. 7.
- (124) 'South Korea is warming up to China and Russia,' *Business Week*, April 18, 1988, pp. 20-21.
- (125) *Ibid.*
- (126) *Hong Kong Economic Journal*, March 15, 1988. Quoted from Yun-Wing Sung, *The China-Hong Kong Connection: The Key to China's Open-Door Policy* (Cambridge: Cambridge University Press, 1991), p. 131.
- (127) *Hankuk Ilbo*, August 30, 1986, p. 5.
- (128) *Ibid.*, November 14, 1986, p. 5.

- (129) Robert Delfs, 'Seoul's hi-tech lures across the Yellow Sea,' *FEER*, December 8, 1988, pp. 20-21; *Chosun Ilbo*, January 1, 1988.
- (130) *Ibid*, February 5, 9, March 15, 1988.
- (131) 'Chinese coal laundry,' *The Economist*, February 28, 1981; *Joongang Ilbo*, December 30, 1987. The Ten-Year Plan called for 8 new mines along with the renovation of existing ones in hopes of doubling production to 900 million tons a year. This meant an annual growth rate of about 7.2% compared with 6.3% in 1970-1977.
- (132) Beijing (Peking) Xinhua in English, on July 8, 1987. From my personal FBIS documents.
- (133) *Joongang Ilbo*, July 22, 1987, p. 1; December 30, 1987, p. 4.
- (134) *Hankuk Ilbo*, November 10, 1987; KA 1988 (Seoul: Yanhap News Agency, 1988), p. 11; *Hankuk Ilbo*, December 30, 1987, p. 1.
- (135) For a comprehensive reappraisal of the post-Mao economic reforms, see Martin Lockett, 'Economic growth and development,' in David S.G. Goodman, Martin Lockett and Gerald Segal, *The China Challenge: Adjustment and Reform* (London: Routledge for RIIA, 1986), p. 35-62; Dong Fureng and Peter Nolan, ed., *The Chinese Economy and its Future* (London: Polity Press, 1990).
- (136) *The Workers Daily*, [Gongren Ribao], January 2, 1987, p. 2.
- (137) For a discussion of economic theories in China, see Robert C. Hsu, *Economic Theories in China, 1979-1988* (Cambridge: Cambridge University Press, 1991).
- (138) *BR*, November 2-8, 1987, p. 6; Michael Yahuda, 'Recent History,' in *The Far East and Australasia 1991*, pp. 295-296.
- (139) David Goodman, 'The Importance of China's 13th Party Congress,' *The Pacific Review*, vol.1, no.1, 1988, p. 97-101.
- (140) Quoted from Robert Delfs, 'Seoul's hi-tech lure across the Yellow Sea,' *FEER*, December 8, 1988, p. 20-21; B.C. Koh, 'Seoul's "Northern Policy" and Korean Security,' *KJDA*, vol.1, no.1, Summer 1989, p. 130.
- (141) Joseph P. Manguno and James R. Schiffman, 'Beijing and Seoul: Arms-Length Flirtation,' July 10, 1987, p. 10.



## **CHAPTER FIVE: BEYOND THE COLD WAR, 1988-1990**

The dramatic developments in the communist world and the related improvement in relations among the major powers during 1988-1990 prompted the opening of a new era in which official relations, both economic and political, were established between Peking and Seoul. Early in 1988 President Roh sought a diplomatic strategy by which to move towards full diplomatic relations with China. During this period there were radical changes occurring in the political and economic environment as a consequence of the global relaxation of tension resulting from the ending of the Cold War. Throughout these changes China and S.Korea continued to draw closer together, both politically and economically, seeking to improve bilateral relations for their mutual benefit.

### **5.1 Politico-Strategic Relations**

The years 1988-1990 will be remembered as one of the most eventful periods in relations between China and S.Korea. There were remarkable developments on several fronts: the launching of President Roh's government's New Northern Diplomacy in 1988, the Seoul Olympics in September 1988, the normalisation of relations with the USSR on September 30, 1990, the agreement with the PRC to set up trade offices in Peking and Seoul after the Peking Asian Games, and the resumption of an inter-Korean dialogue at the prime ministerial level. Peking faced the dual challenges of maintaining its relationship with Pyongyang and improving contacts with Seoul. Despite the impact of the Tiananmen incident in Peking in June 1989, China and S.Korea were committed to closer interaction at all levels, and this meant that China's relations with S.Korea were more transparent than those with N.Korea; indeed China's policy towards S.Korea came to resemble its formal approach towards the USSR, moving steadily in the direction of normalcy, and the prospect of official recognition.

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Apart from the relaxation of Sino-Soviet tensions, there also was quiet collaboration among the superpowers to reduce tensions on the peninsula. It was reported that agreement was reached on ways of reducing tension in Korea between the US assistance secretary of state, Gaston Sigur, and the Soviet deputy foreign minister, Igor Rogachev, when they met in Paris in December 1988(2). There was also a consensus between China and the USSR regarding the Korean peninsula. On December 1-3, 1988, Qian Qichen visited Moscow, the first time a Chinese Foreign Minister had done so since Zhou Enlai in 1956, and held intensive talks with his Soviet counterpart Eduard Shevardnadze, it was stated then that the two countries would continue to work to ease the tension on the Korean peninsula(3). Peking's role as the host for the newly-started talks between the US and N.Korea was a further manifestation of this more active involvement, and Moscow's role in facilitating a meeting between former N.Korean Foreign Minister Ho Dam and S.Korean opposition leader Kim Young sam might be a harbinger of what to expect from the Soviets in an era of reduced international tensions.

The global *detente* in international politics influenced developments on the Korean peninsula for at least two reasons. For one thing, the trend towards *detente* in the communist world consolidated the likelihood that neither the Soviets nor Chinese would support N.Korean military adventures. Both the Chinese and the Soviets made clear the limits of their willingness and ability to support N.Korean aspirations. For another thing, these developments increased the importance of economic interactions with S.Korea, heightening communist-bloc incentives to move towards a *de facto* - and in some cases actual - "Two Koreas" policy. Such a move was facilitated by the general reduction in the importance placed on ideology, which weakened tolerance among the socialist countries for Pyongyang's rhetoric and extremist positions.

N.Korea was facing formidable challenges(4). Both the USSR and China were now primarily interested in maintaining the *status quo* on the Korean peninsula, so that N.Korea became progressively more isolated, unable any longer to manipulate Sino-Soviet tensions to its advantage. The military assistance which both powers supplied to N.Korea contradicted the image of global *detente* leading to improved relations with non-communist countries, and was a matter of concern as a destabilising influence on the Korean peninsula.

S.Korea's economic standing in the Asian-Pacific region, and within the world community as a whole, meant that China and the USSR, both of whom were suffering serious internal difficulties, were increasingly inclined to acknowledge her, in order to further economic cooperation with S.Korea which they needed desperately. They had long indicated that they neither sought another war on the Korean peninsula nor the complete withdrawal of American troops from S.Korea and recognised there were limits to one another's cooperation with N.Korea.

During this crucial period 1988 to 1990, many S.Korean media and academic circles were emphatically predicting dramatic changes in the geopolitical environment now that the new parameters in major power relations surrounding the Korean peninsula, and the consequent strategic global *detente*, gave a lead to the thaw of the Cold War in Northeast Asia. As long as China was confident that Pyongyang would never seek an exclusive relationship with the USSR, relations between China and S.Korea were no longer being shaped by the two countries' leaders' calculations regarding the strategic threat from their super-power adversaries(5). They anticipated the formal establishment of relations with China, breaking the cold war in the region and opening a new page in history. One S.Korean China-watcher said that the international climate in the surrounding region offered an excellent opportunity to enhance S.Korea's security, leading to a "New Era of Strategy"(6). This was the "*Bak-neon-manui-gi-hou*" [golden opportunity



of the century]--the possibility of turning from confrontation to negotiation arose routinely for numerous problems on the Korean peninsula(7).

### **S.Korea's *Puk-bang Oye-kyo* [New Northern Diplomacy]**

President-elect Roh attempted unsuccessfully, using Japanese intermediaries, to arrange a visit to Peking in December 1987 as adviser to the Seoul Olympic Organisation Committee (Hereafter SLOOC), in advance of his February inauguration. Subsequently he proposed some tentative ideas regarding a two-tiered policy towards China: as well as pursuing better relations through the intermediaries of third countries S.Korea would also seek to conduct a direct dialogue with China to the same end. In March 1988 President Roh reinforced this position at an annual meeting of "Ambassadors" where he stressed that better relations with China had become the bull's eye of the diplomatic target. When Lee Won-kyong, ambassador to Japan, asked what role Japan should play in promoting Chinese-S.Korean relations, he indicated that although S.Korea had many pipelines to China, his government planned to promote independent relations with China(8).

This commitment was publicly affirmed in a special declaration made by President Roh on July 7 1988, which came to be known as "The Second June 23, 1973 Declaration". S.Korea's "*Puk-bang-oye-kyo*" [New Northern Diplomacy] - also known by some scholars as "*Puk-bang-chong-chaek*" [Northern Policy] - was announced in this declaration, which comprised a six-point policy on reunification(9). As regards the approach to China it was stated:

To create an atmosphere conducive to durable peace on the Korean peninsula, we are willing to cooperate with Pyongyang in its efforts to improve ties with countries friendly to us, including the US and Japan, and in parallel with this, we will continue to seek improved relations with the USSR, China, and other socialist countries(10).

From this time forwards, S.Korea's foreign policy came to include President Roh's policy, a comprehensive concept analogous to West Germany's *Ostpolitik*, which stepped up ties and trade with both China and N.Korea simultaneously. The president's initiative was greatly furthered by his use of "citizen ambassadors": several of President Roh's special envoys made clandestine visits to Peking in order to sound out the possibility of developing closer political and economic ties between the two countries. Former Foreign Minister, Park Dong-jin; the President's Special Adviser for Policy, Park Chul On; Chairman of the Daewoo Group, Kim Woo choong; and Kim Pok-tong, a brother-in-law of president Roh; all made private visits to Peking to convey letters from the President(11).

When S.Korea's deputy economic planning minister, Mun Hui-kab, visited Peking to attend an academic seminar sponsored by the United Nations development programme, he delivered a letter from president Roh to the Chinese leadership, and exchanged views with Chinese officials on the experience of economic development of their countries, and on other matters of mutual concern. Chung Hun-mok, president of the Hyundai engineering and construction co., and Yu Song-chae, dean of the business administration school at Chungang University, accompanied Mun on this visit(12).

While these contacts were proceeding, S.Korea was also expressing her desire that Washington, Tokyo and the Western allies should help its efforts to improve relations with China(13). In the first such concrete action, following its recent overtures for improved ties with leading communist powers, S.Korea arranged for US secretary of state, George Shultz, to deliver a message to the Chinese leaders. The S.Korean government also asked the West German foreign minister, Hans-Dietrich Genscher, to convey to top Chinese leaders through diplomatic channels that S.Korea was sincere in her desire for peace(14).



Internal pressures within S.Korea for further "democratisation" coupled with a popular enthusiasm for real progress towards reunification, obliged President Roh's government to deal seriously with the N.Korean issue as an essential part of the New Northern Diplomacy and its objective of securing better relations with China(15). Another factor motivating S.Korea to move towards better relations with N.Korea was China's desire for genuine stability on the Korean peninsula, without the threat of inter-Korean conflict disturbing her economic links with S.Korea, upon which the Chinese modernisation programme depended. Peking could not move closer to Seoul without further isolating Pyongyang, which would have unpredictable consequences. Robert A. Scalapino stressed, in a seminar organised by the Korean-US Society on January 29 1988, that even though Peking was pursuing a "Two Koreas" policy in its relations with the South and the North, Peking's Korea policy would continue to depend on how S.Korea cultivated its relations with N.Korea(16).

In order to encourage N.Korea to play a greater role in the international community, thus laying the groundwork for eventual discussions on reunification, and with the paramount objective of securing a stable peace on the Korean peninsula, S.Korea proposed that both North and South should join the UN. With this in mind, President Roh set up a task force comprising senior officials from various ministries together with Park Chul On and Kim Chong Whi as his presidential advisers. They organised a special 10 man team drawn from the NSPA, many of them so-called *Chong-san-kwan chun-mun-ga* [veteran analysts on communist affairs] for the implementation of the New Northern Policy(17). Later they were merged with the so-called "*Seoul Dae-hak-fa Trio*", comprising Lee Hong-Koo, Kim Hak-Joon and Roh Jaebong who had taught at Seoul National University in the faculty of International Relations, and had been involved in formulating strategy for the New Northern Diplomacy. They had persuaded the government to call off its diplomatic war with N.Korea, and to move away from confrontation between the North and the South.

The reasons behind such a movement were summarised by Lee Ki Won, a researcher at the Sejong Institute, in a presentation given on April 2, 1988; he argued that two sovereign states existed on the Korean peninsula:

"We have to accept the reality of this situation. Although N.Korea is undoubtedly resistant to the changes which have recently taken place, we are confident of the strength of S.Korea's position, which is based on our faith in the superiority of our liberal democratic system, on the economic power resulting from our capitalist orientation, and on a belief in continuing political development-including that of N.Korea. Structural competition with the North is already over, and the question which remains is how to draw N.Korea into the South's system"(18).

There were positive signals from China that S.Korea's efforts in this direction were acceptable, although Chinese officials consistently declined to confirm that special envoys from President Roh had visited China(19). China's top leader Deng Xiaoping reacted positively, saying that President Roh's declaration would contribute to stability and peace on the Korean peninsula(20). In terms of practical steps, China agreed with a S.Korean government proposal for the establishment of links between S.Korean and Chinese research institutes for the exchange of research materials and data. This was revealed by the S.Korean national unification minister, Lee Hong-Koo, in his testimony at the foreign affairs and unification committee of the national assembly(21).

### **Rebalancing of China's Foreign Policy**

After President Roh had called publicly for improved relations with China, the initial focus of the New Northern Diplomacy was to encourage China to participate in the Olympics in September 1988 in Seoul. This event provided a good opportunity for S.Korea to make mutual contact with China. Sports delegations and other groups from China visited Seoul many times to practise, and to check out the facilities. The Chinese decision to attend the 1988 Seoul Olympics, and the



establishment of a variety of new formal contacts with S.Korea, was a major success in the implementation of S.Korea's New Northern Diplomatic policy towards China.

The political impact of the Olympic Games was, however, limited. The Chinese Foreign Minister Qian Qichen, in an April 7, 1988 press conference, stated that China's participation in the Seoul Olympic Games did not signify a move by Peking to establish diplomatic relations with S.Korea(22). By this time China was already involved with preparation for the Olympics. For instance, according to information obtained from the departments concerned, the China Central Television Station (Hereafter CCTV) had purchased the exclusive rights to broadcast the 24th Olympic Games on the Chinese mainland. Through an agreement with the Seoul International Broadcasting Centre, CCTV were to spend a total of US\$1 million in reporting this major event, covering the Olympic Games mainly through live relay, over a total of 170 hours(23).

The political impact of the Olympic Games as regards N.Korea was also less than had been hoped for. Peking had requested Pyongyang not to disrupt the Olympics, and in his interview with Mozambique President Joaquim Chissano in 1988, Kim Il-sung clearly pledged that N.Korea would indeed refrain from disrupting the event. This was an extraordinary statement compared with that carried by RMRB entitled "[North]Korean Foreign Ministry Spokesman Issues Written Statement calling on the United States and Japan to stop abusing [North]Korea." The text of this article included the following: "The Foreign Ministry of the Democratic People's Republic of [North]Korea has urged the U.S., Japanese, and S.Korean authorities to stop hurling abuse at N.Korea, the so-called '*Chao-xian beifang*', under the pretext of ensuring security for the Olympic Games, and has indicated that it would continue its efforts to cohost the 24th Olympic Games with the South"(24).

At the same time as pursuing her New Northern Diplomacy S.Korea wanted to maintain her "one-China-one-Taiwan" policy. During the Olympics the S.Korean government officially referred to the PRC as "*Joong-kuk* [China]" and the ROC as "*Joong-kuk Dae-buk* [China Taipei]", regardless of Taiwan's remarks concerning "worrying differences" with the S.Koreans over attitudes to China.

Around this time, there were substantial non-political exchanges between China and S.Korea. For example, as the time of the Olympics drew closer, Peking permitted Korean Airlines to fly over Chinese territory on their way to destinations in Pakistan and India(25). The two countries subsequently agreed to start tourist exchanges, making the special ferry between Weihai and Inchon a regular service(26). According to S.Korean sources, the agreement was reached when He Ruchang, vice president of China International Travel Service, a Chinese state-run travel company, expressed interest during his visit to Seoul in July 1988, in organising tourist exchanges with S.Korea, for general tourism and family visits. S.Korea adopted a Chinese proposal to initially limit tourist visas to history teachers and those in cultural fields, before extending the issue of visas to the general public(27). The S.Korean National Tourism Corporation recommended Global Tours, Hanjin Travel Service co., and Korea Travel Bureau inc. as counterparts for the China International Travel Service. It was also reported that the S.Korean Electric Telecommunication Corporation (Hereafter KETC) signed contracts in September 1988, with the China Asia Satellite Telecommunications Company Ltd. (Hereafter ASTC) for the lease of three transponders on AsiaSat 1 which was to be launched in 1990 using China's Long March 3 Rocket, from the Xichang Launch Site in Sichuan province in southwestern China(28).

The 1988 Olympic games played a useful role in building bridges between China and S.Korea. The S.Korean Foreign Minister Choi Kwang-soo, during a closed-door breakfast meeting with the National Assembly's Foreign Affairs and



Unification Committees, on October 9 1988, committed the government to a set of follow-up measures at the ministerial level, based on President Roh's New Northern Diplomacy which sought a sweeping improvement in its relations with China and the eventual reunification of the divided Korean peninsula. He said: "As far as I know, China has expressed a considerable amount of sympathy with S.Korea's latest peace overtures"(29).

The success of the Olympic games, insofar as China participated fully, and although N.Korea did not attend it also did not attempt any serious disturbance of the proceedings, was yet insufficient as a platform from which to upgrade political relations between China and S.Korea to the status of full diplomatic recognition(30). Although S.Korea had perhaps hoped for such an outcome China still sought to avoid any deterioration in its relations with Pyongyang, fearing to isolate the N.Koreans and thus perhaps to provoke a destabilising response. While Seoul wished to set up an official mission with consular functions, China sought merely to establish a civilian-level office with no diplomatic trappings. China still declined to acknowledge any political implications attendant upon her participation in the Seoul Olympic Games. For instance, Chinese Foreign Ministry spokesman, Li Zhaoxing, toned down further speculation on post-Olympic developments when he told a press briefing in Peking that there was no formal diplomatic relationship between China and S.Korea, although Peking considered all questions from the perspective of whether it was conducive to stability and the relaxation of tension on the Korean peninsula(31).

With the tendency towards relaxation of world tensions, it was the S.Korean view that a strategy of making "cross-contacts", i.e. S.Korea establishing contacts with China and the USSR, in parallel with N.Korea establishing contacts with the US and Japan, based upon "cross-recognition", could offer a final opportunity to ease N.Korea's embarrassment at Chinese-S.Korean normalisation. In this sense,

President Roh was adopting a more flexible policy towards N.Korea than any previous S.Korean leader had dared. He was wisely encouraging the US and other Western countries to be more flexible towards Pyongyang in an effort to end N.Korea's long isolation. Since the Olympics Seoul had enjoyed closer ties with the USSR and the Eastern European countries, and N.Korea was also improving its ties with the US and Japan. It was hoped that these new and unprecedented trends would stimulate Peking to improve its relations with Seoul.

Meanwhile, in order to push ahead with its unification policy on Taiwan, China also needed to fine-tune its foreign policy towards S.Korea. China had come to support the notion of "one country, two systems" as a formalisation of the *status quo*, pointing to both Taiwan and Korea as being amenable to the same solution. As far as the Taiwan issue was concerned, if Peking was to improve ties with S.Korea on the basis of cross-contacts or any other scheme, it was conceivable that a Chinese precondition for such a step might be for S.Korea to break its diplomatic ties with Taiwan.

President Roh used his address to the UN in October 1988 to outline his "*Hwa-hapul-St-dae*" [New Era of Reconciliation]. Reiterating his six-point policy on reunification, President Roh urged the USSR and China to contribute to the opening of new era of progress for the whole region by expanding their relations with Seoul. He proposed a multinational conference to discuss the reduction of military confrontation in the areas where Russian, Chinese, Japanese and N.Korean and S.Korean borders meet. A further initiative was his suggestion for a consultative conference to be attended by the US, the USSR, China, Japan and the two Koreas, the aim of which would be to pave the way for a "permanent peace settlement", as a step towards "cross recognition"(32).



Thus, S.Korea clearly invited the US and its Western allies to renew contact and trade with N.Korea(33). Seoul openly advocated the *de facto* Japanese and American exchanges with Pyongyang as a *quid pro quo* for S.Korea's exchanges with China and the USSR. To foster an atmosphere conducive to improving S.Korea's relations with China it was necessary to expand the area of what has been called cross-contact. Then it might be possible to reach an agreement on cross-recognition and thus bring N.Korea out of its isolation and in to the international community(34). One leading S.Korean scholar made it quite clear that S.Korea was ready to renounce its "one Korea" policy on the Korean peninsula(35).

There had been several secret meetings between high-ranking officials responsible for the Korean peninsula in the department of Asian Affairs of China's ministry of foreign affairs and N.Korean embassy officials in Peking(36). It was well known that China no longer opposed the strategy of cross-contacts, indeed Peking had been taking the initiative in pursuing better relationships between N.Korea and the US.

In December 1988 and January 1989, N.Korean and US diplomats met in Peking to discuss the alleviation of tension on the peninsula, this being the first direct talks between the two countries since the Korean War(37). It was also reported that, during his second visit to Pyongyang, in April 1989, Zhao Ziyang expressed the Chinese desire that Pyongyang, Seoul and Washington would hold negotiations on Korean reunification, and that the US, as one of the parties involved in the Korean issue, would upgrade its level of representation by means of an earnest dialogue with N.Korea(38).

This was interpreted as a response to S.Korea's diplomatic efforts to improve relations with China, not to mention N.Korea. The shifting US-N.Korean relationship required Peking to take more varied or even neutral foreign-policy postures towards

S.Korea. Washington also asked Peking to use its influence with Pyongyang to encourage meaningful relationships between Seoul and Pyongyang. China's moves towards S.Korea were parallel to the progress made in the N.Korean approach to the US. S.Korea's cross-contact strategy, without raising the issue of the official establishment of diplomatic relations, was being favourably received by China, and the situation looked promising.

This approach was damaged, however, by the 4 June crack-down on China's pro-democracy movement in Peking's Tiananmen Square in 1989. The incident strongly affected the cross-contacts strategy for upgrading political implications between China and S.Korea and its role in establishing American contacts with N.Korea(39). The Peking massacre cast a pall over Sino-American relations, and also over N.Korean-American relations as a consequence of Pyongyang's support for Peking at the time. The US and N.Korea had originally agreed not to publish the content of their fifth meeting, held in mid-1989 in Peking. The US State Department broke this agreement and its decision was bitterly criticised by N.Korea on November 9, 1989, according to N.Korean sources(40). This deterioration between the US and N.Korea had poured cold water on the progress of S.Korea's efforts to establish formal relations with China.

The Tiananmen crack-down was quickly and warmly applauded by Pyongyang(41). Kim Il-sung's subsequent visit to Peking, an unexpected event in the light of the increasingly positive relationship between China and S.Korea, gave rise to speculation that the "ideology-first" movement in China might possibly succeed in shifting the existing pragmatism in policy towards S.Korea into a more rigid policy(42). BR reported the visit as follows:

During their talks and meetings, both sides briefed each other on their domestic situations. They also exchanged views on furthering the friendly relations between the two parties and two countries and on the international situation and other issues of common concern. Their options



on these issues were identical. ... Both sides expressed their determination to persist in Party leadership and the socialist road(43).

After the Tiananmen incident, when Jiang Zemin paid his first visit to Pyongyang since taking the position of General Secretary in the CCP, China was apparently making an effort to shore up their bilateral relations in the midst of "imperialist aggression" around the world(44). The vice-premier and foreign minister of N.Korea, Kim Yong-nam, subsequently paid a brief visit to Peking in April 1990. Shortly afterwards it was revealed that a PLA delegation, headed by Chinese Defence Minister, Chin Jiwei, was visiting N.Korea(45).

Seoul's thus-far successful "New Northern Diplomacy" of seeking government-to-government relations with Peking, at least in regard of its "cross-contacts" strategy, appears to have faltered somewhat as a consequence of the Tiananmen incident. It is noteworthy that BR, October 30-November 5, 1989, commented on S.Korea's political crisis by criticising Roh's New Northern Diplomacy(46).

### **The Impact of the Collapse of the East European Communist Countries**

During 1989 and 1990 both China and S.Korea observed, with contrasting views the general collapse of communism in Eastern Europe. As changes took place in Eastern Europe, the relations between S.Korea and the East European countries, which had been frozen for 40 years, began to thaw. As one S.Korean scholar pointed out, the collapse of the Eastern European countries freed S.Korea from the fear of communism(47). The fall of the Berlin Wall on November 9, 1989, and other dramatic events of this era allowed progress to be made by S.Korea's New Northern Diplomacy, both with respect to the East European countries and also in Sino-S.Korean relations.

When the East European countries adopted pluralism and shifted towards market economics this was a move with far-reaching implications for Seoul's relations with them. At the forefront of the improvement in S.Korean-East European relations was Hungary, the most economically reformist of the East European countries. In March 1988 a Hungarian trade office was opened in Seoul shortly before the Olympics and this was linked with the S.Korean decision to sign a contract with Budapest for the provision of the electronic sign board for the Olympic stadium in Seoul. Seoul and Budapest agreed to exchange permanent trade missions, and the two countries subsequently established full diplomatic relations at the ambassadorial level in January 1989(48).

From the late 1980's onwards the expansion of S.Korea's diplomatic horizons to include the rest of the East European countries appears to have provided a positive boost for S.Korea's efforts to make diplomatic inroads into China and nudge Peking out of its corner. As one S.Korean scholar pointed out, "They need us more than we need them". S.Korea's success in establishing diplomatic relations with the former Socialist Bloc countries led China, always diplomatically ambivalent towards the "revisionist" East European countries and the Soviet Union, to realise that Peking would have to display more flexibility if its declining international image was to be propped up(49).

The dramatic changes in Eastern Europe during 1989 were perceived, by an authoritative analysis in the BR, as a new challenge to the Asian communist countries' fidelity. Provided, however, that the East European countries were less ready to recognise Taiwan than they had been to recognise S.Korea, the Chinese leadership no longer saw any reason to fear a swift growth of relations between S.Korea and East Europe(50).



As Peking pondered how to react to the far-reaching changes taking place in Europe and awaited the normalisation of relations with the West, China's "first-make-good-friends" agenda prompted her to take an even more flexible stance towards third countries(51). This was not good news for N.Korea and Kim Il-sung made a secret visit to Peking in November 1989. According to Kyodo citing "an influential Chinese source", during Kim Il-sung's visit to Peking to seek support, following some East European countries' recognition of S.Korea in November 1989, Deng Xiaoping reportedly sympathised with Kim by pledging to keep the PRC's ties with S.Korea at unofficial levels, but said that China was not in a position to influence East European countries and the USSR on their policies towards S.Korea(52). Furthermore he turned down Kim's request for US\$270 million in military assistance, in line with China's growing interest in regional stability, being concerned about the effect that China's assistance might have of bolstering the hardliners in N.Korea(53)

Most importantly, the Chinese leaders realised that China might lose its influence on the peninsula if it continued to disregard S.Korea's enthusiasm for enhanced official links with China. The development of S.Korea's relations with the USSR and East European countries implied an increasing influence by other powers on the Korean peninsula. There was, for example, a new movement towards cross-contacts between the two Koreas and the four major powers on the Korean peninsula. From this time the US State department allowed N.Koreans from cultural, sporting and academic circles to pay unofficial visits to the US. In addition, the Japanese Prime Minister Noboru Takeshita bluntly stated, "It is time for Japan to improve relations with N.Korea"(54). Thus, given these repercussions of the changes, the development of S.Korea's relations with Eastern European countries came to exert an increasing influence on the further development of Sino-S.Korean relations.

### **Soviet-S.Korean Normalisation**

The Tiananmen incident also led the government of President Roh to temporarily shift its strategic efforts away from China, towards the USSR and other communist countries in Eastern Europe. The most important benefit from cross-contacts was likely to come from the USSR. It was the USSR that had sought to turn over a new leaf in establishing its relations with S.Korea. Just as the Chinese moved closer to N.Korea, in the wake of the Tiananmen incident, at the same time Moscow was moving surprisingly closer to S.Korea.

One of the most significant by-products of the changing international climate of security was the thaw that had already taken place in relations between the USSR and S.Korea. Gorbachev's speech at Krasnoyarsk in September 1988 stressed the political significance of the Seoul Olympiad when he cited it as one of the factors which had promoted closer Soviet relations with S.Korea, in the context of the proposed multilateral discussions on Asian-Pacific region. After the Seoul Olympics two Soviet officials, Georgiy A. Arbatov, director of the Institute for US and Canadian Affairs and an adviser to Soviet President Mikhail Gorbachev on external affairs, and Mikhail Kapitsa, former Soviet deputy foreign minister and subsequently director of the Soviet Institute for Oriental Studies, had visited Seoul to discuss economic cooperation. At this time they suggested the possibility of a political relationship between the two countries(55). In April 1989 the USSR opened its first trade office in Seoul, and in the same month an agreement was concluded to create a direct shipping route between the port of Pusan and two Soviet ports. Following this, Seoul and Moscow signed an agreement providing for the opening of consular relations in December 1989(56).

The Soviet-S.Korean *rapprochement* reduced the strategic importance of Pyongyang and paved the way for S.Korea and China to approach the establishment



of diplomatic relations now that China's links with N.Korea-although they remained important in the wake of the Tiananmen incident of June 1989-were much less constrained by ideological considerations than had previously been the case. Ironically Ziang Zemin's visit to Pyongyang on March 14 1990 coincided with Kim Young Sam's invitation by the Soviets to talk about expanding economic links. On March 19, 1990, he paid his second eight-day visit to Moscow, holding discussions with the Soviet Union's leaders intended to promote economic ties between the two countries(57).

At the same time, the S.Korean Foreign Ministry put forward a decisive principle regarding its ties with China, building on the revolutionary changes in relations between the USSR and S.Korea(58). The Northward Policy Promotion Team of the S.Korean Foreign Ministry, the so-called "*Oye-mu-bu-tim*," led by Hong Soon Young, Assistant Foreign Minister, and Min Hyoung Ki, Director-General of the department of East Asian Affairs, became stubbornly insistent on the principle of "*Chung-kyung-hap-il*" [combined economy and politics]. The essence of this principle is that economic cooperation between China and S.Korea must be accompanied by political concessions on the part of China:

On the one hand, the Soviet leaders are keen on some tangible results from their commitment to perestroika and glasnost, which played an important role in the expansion of economic cooperation with S.Korea.

On the other hand, China is hoping to realise her old dream of blocking a potential Soviet advance towards the Asian Pacific basin through promoting a relationship with S.Korea. For this purpose Peking is trying to bring the Korean issue on to the international stage (i.e. seeking a solution through a multinational conference or the UN) by which means they may automatically enter the Asian-Pacific arena(59).

In effect, S.Korea took a clear position that political concessions were needed before the normalisation of the relationship between the two countries. One of the S.Korean officials insisted: "It is China who is in desperate need of economic cooperation from S.Korea. Therefore if we wait, they are bound to come to the

negotiating table with a bigger deal such as an official relationship at consular or ambassadorial level."(60).

Soviet-S.Korea normalisation reinforced the S.Korean insistence on the principle of *Chung-kyung-hap-ill*(61). On June 4, 1990, an unprecedented meeting took place between President Gorbachev and President Roh in San Francisco. The discussions held centred on the prospective economic co-operation between S.Korea and the USSR. In spite of Moscow's vagueness about the timing of full recognition, their commitment to the slogan "to close the past, and open the future," had a knock-on effect, causing China to resume its efforts to promote its relations with the South(62).

The Roh-Gorbachev meeting enhanced the recognition of S.Korea as a political force in region. On September 30, 1990, S.Korean Foreign Minister Choi Ho Joong and Soviet Foreign Minister Eduard Shevardnadze signed a declaration establishing ambassador-level diplomatic relations, and issued a joint *communiqué* after their talks at the UN headquarters in New York. China regarded this principally as an attempt by the USSR to overcome its sluggish economy through economic co-operation with S.Korea. Chinese specialists no longer viewed Moscow's policy towards S.Korea as a threat to China's national security(63). They believed that if China shifted towards N.Korea, she would be the loser. Consequently China began once again to pursue a more pragmatic attitudes in its economic relations with S.Korea.

Although Peking denounced the establishment of diplomatic ties between the USSR and S.Korea as a "betrayal sought and bought with dollars," S.Korea's presidential officials and newspaper columnists remained optimistic that given Peking's sour relationships with the West after the Tiananmen incident, and given also the "desperate need" of the Chinese to acquire hard currency they could only



move to improve relations with S.Korea. As one S.Korea newspaper editor remarked: "Peking should understand that the close interdependence of world society today brings enormous disadvantages to a country which tries to isolate itself"(64).

Although the establishment of relations with Moscow was welcome, the S.Korean Foreign Ministry still pursued, as a primary objective of the New Northern Diplomacy, the recognition by China of S.Korea. Moscow's initiative to establish diplomatic ties with Seoul had a strong effect on China's position because both Moscow and Peking had portrayed themselves as having a crucial role in reducing tensions on the Korean peninsula. During President Roh's visit Moscow on December 13, 1990, the "Moscow Declaration" was issued. This was a joint declaration on general principles pledging "good-neighbourly" relations, joint efforts towards ending the Cold War in Asia, a relaxation of tension on the Korean peninsula, and eventual reunification of South and North Korea(65). This clearly gave China little comfort. Furthermore, when S.Korea decided to apply for membership of the UN by itself, with Moscow's tacit acquiescence, the Chinese leaders believed that high-level exchanges between China and N.Korea might lead the international community to isolate China as N.Korea was effectively isolated(66).

### **China's Quasi-Official Relations with S.Korea**

After the Tiananmen incident of June 1989 China, diplomatically shunned by most Western countries and ambivalent in its dealing with "revisionist" East European countries and the USSR, was emphasising ties with a number of countries which it did not officially recognise, including S.Korea. China's desperate efforts to reestablish its open-door and reform image by any means lent extra weight to S.Korea's New Northern Diplomacy(67).

S.Korea was worried that a paranoid China would become more dangerous, and that the economic advantage of its trade with China might be lost, and was consequently unwilling to be pushed into sanctions by the same Western countries that were complaining about S.Korean trade surpluses. Official contacts between Seoul and Peking before Tiananmen had been occasional, limited, and discreet. It is therefore difficult to determine whether the incident caused any hiatus in relations; certainly by early 1990 officials from the two sides were talking--at the beginning of February 1990, Seoul opened a tourist office in Peking, and China was preparing to set up a "semi-official trade office" in Seoul, under the auspices of the China Chamber of International Commerce (Hereafter CCIC), that was to serve as a *de facto* consular mission(68).

The Eleventh Asian Games, held in Peking between September 22 and October 7, 1990, was an opportunity for Seoul and Peking to improve their bilateral ties. For China the Games was an important occasion to show the world that the 1989 Tiananmen incident was now in the past, and that normalcy had finally returned to China. Peking sought to carry off the games without incident, since they attracted a large number of international spectators and tourists--including many from S.Korea.

S.Korea's government and industrial circles seized on the Games to press their efforts to secure diplomatic and commercial relations with China. The 1990 Asian Games in Peking provided an opportunity to exhibit S.Korea's newly acquired economic prowess and diplomatic status.

Additionally, in an age of cultural and sports diplomacy, S.Korea's support for the Peking Asian Games exerted pressure on China to downgrade her relationship with N.Korea. It was reported that in response to Kim Il-sung's offer, in early September, to visit Peking for an important consultation, Jiang Zemin instead chose the northeastern city of Shenyang to meet him, and also rejected some of Kim's



requirements(69). China was clearly well aware of the political and diplomatic ramifications of S.Korea's participation in the Games, particularly with regard to China's relations with N.Korea.

Chinese officials said that they wanted to use the Asian Games to help promote *detente*, by bringing both Koreas to the conference table. China allowed a senior Seoul official, Sports Minister Chung Dong Sung, to visit Peking to talk with his N.Korean counterparts on a range of problems, mostly concerned with the organisation of a single team to represent Korea(70). In a joint press conference on September 22, Choi Man-Lip, vice president of the S.Korean Olympic Committee, and his Northern counterpart, Kim Hyung-Jin, announced an agreement between their respective sports authorities(71). A single supporters group was also organised, for the first time, for the Peking games.

S.Korea was hoping that such *quasi-official* diplomatic arrangements could be expanded into full official recognition. For example, Kim Hak Joon, one of President Roh's special influential aides on the New Northern Diplomacy, expected that Seoul and Peking would exchange trade offices with consular functions following the games(72). In this new surge of political flexibility between China and S.Korea. Park Chul On, a senior official in S.Korea's most powerful think tank for the New Northern Diplomacy, was permitted to visit Peking to talk with Chinese leaders to explore the possibility of transforming S.Korea's sports office into a trading mission after the Peking Asian Games(73).

S.Korea's participation in the Asian Games was an important signal of support for China; still subject to widespread international condemnation and sanctions, and grateful for any help available to project an image of normalcy after the Tiananmen incident. Immediately after the opening of the games S.Korea's attendance was rewarded with an agreement to set up trade offices, which were also

empowered to handle consular affairs, and this would prompt the normalisation of S.Korea's diplomatic links with Peking over the next very few years(74). One China-Watcher in Seoul commented that this breakthrough represented a notable success for S.Korea's principle of "*Chung-kyung-hap-il*"(75).

It was not altogether surprising that China and S.Korea signed an accord to swap trade offices with *de facto* consular functions, apparently moving the two countries one step nearer to full diplomatic relations(76). S.Korea's relations with the USSR and Eastern Europe were expanding rapidly, and China was unwilling to permit such links to squeeze her out of the picture - S.Korean capital and technology were vital to China's modernisation. Just before S.Korea established its *de facto* embassy in Moscow, with Gong Ro-myung as the first Ambassador to the USSR, Zheng Hongye, chairman of the CCIC, and Sunki Lee, president of KOTRA, signed an agreement on October 20 1990 in Peking to exchange representative offices on behalf of their own organisations, which were also to represent their respective countries' official positions on foreign trade. Under the agreement, offices were to be established in both Seoul and Peking. Building on the success of the Seoul Olympics in 1988, which created the initial non-political state-to-state relationship, the Peking Asian Games in 1990 developed this *quasi-official* recognition much further, and resulted in concrete gains for S.Korea.

There were, however, indications of discrepancies between the Chinese and S.Korean interpretations of the establishment of trade offices in Peking and Seoul. For instance, whereas S.Korea wished to set up an official mission with consular functions, China sought merely to establish a civilian-level office with no diplomatic implications. China insisted on keeping the trade office separate from diplomatic activities and instead suggested sending a delegation of consular officials to Seoul to handle the large volume of S.Korean tourists expected to visit Peking for the Asian



Games in September 1990(77). Subsequently limited diplomatic functions, notably the issue of visas, have been carried out by the permanent trade offices in Seoul.

### **Inter-Korean Dialogue**

If the period 1988 to 1990 saw a notable new mood of cooperation in relations between China and S.Korea, it witnessed an even more remarkable inter-Korean dialogue developing between the North and the South. From the Chinese point of view, if relations between the North and the South were to be gradually improved this would contribute to the attainment of China's desire of a peaceful settlement on the Korean peninsula. The Peking Asian Games, besides demonstrating that normalcy had finally returned to China, was also a useful opportunity to highlight the technical problems that would arise as a result of normalisation of Sino-S.Korean relations, and allowed some headway to be made in the resolution of the N.Korean problem inasmuch as an unified Korean team participated.

The further development of relations with S.Korea had been inhibited by the Chinese old guard's ideological ties with their N.Korean counterparts. Gerrit W. Gong has argued that the long-standing person-to-person ties between, for example, Deng Xiaoping, Yang Shangkun, and Kim Il-sung, limited the speed and scope of establishment of formal relations between the two countries(78). China continued to affirm its relationship with N.Korea by restricting relations with S.Korea to a low-profile unofficial liaison office.

Editorial writers and journalists in Seoul suggested that the improvement of the South's relations with the North would give Peking more room to conduct a more flexible foreign policy towards S.Korea, even opening up full diplomatic relations with Seoul(79). There were also criticism of S.Korea's New Northern Policy as apparently moving too fast, resulting in N.Korea's isolation. It was necessary to

consider the implications for future relations between the two Koreas. Soon-sung Cho, chief foreign policy spokesman of the main opposition Party for Peace and Democracy (Hereafter PPD), criticised that S.Korean government for using its New Northern Diplomacy to defend and justify its domestic affairs. He also suggested that the objective of the New Northern Diplomacy should be focused not only on the formal diplomacy with China, but also on the political implications with N.Korea(80). An editorial in a leading S.Korean monthly magazine also criticised the government's New Northern Diplomacy, for granting economic assistance to the East European countries in return for the normalisation of relations, judging the cost to be too high(81).

S.Korea came to acknowledge that inter-Korean reconciliation was its last outstanding task for obtaining fully-fledged diplomatic relations with China. Seoul wasted no more time in attempting to get closer to the North. As a result of improved bilateral relations between Seoul and Moscow, Pyongyang was willing to participate in a series of North-South dialogues. On August 30, 1990 the two Koreas agreed on details for talks between their prime ministers, the highest-level contact between the two governments since 1945. On September 4, 1990 they met together in Seoul. They concluded two extraordinary days of talks without narrowing their historic disagreements, but both sides hailed what they said was a new atmosphere of tolerance that could lead to progress(82).

From the Chinese point of view, the trend towards reconciliation and peace contributed not only to their interests on the Korean peninsula, but also to the peace and security of Asia as a whole, and indeed to that of the world. When the Chinese Foreign Minister Qian Qichen held talks with his Soviet counterpart Eduard Shevardnadze on September 1, 1990 in the Chinese city of Harbin, he stated that China firmly believed the dialogue between North and South Korea to be essential for the easing of tensions, also he earnestly hoped that the ongoing meeting of the



prime ministers of the two Koreas would achieve positive results(83). China's position was made clear by the remarks of Wu Xueqian on October 24 1990 at a banquet hosted by N.Korean Ambassador to China, Chu Chang Jun, and commemorating the 40th anniversary of the day when the CPV crossed the Yalu River and joined the Korean War:

... Recently several eye-catching changes have appeared in the north-south relations of Korea. Prime Ministers from both sides have held two rounds of talks and reached agreements on issues concerning the improvement of bilateral relations. ... China hopes that dialogue between the north and south will lead to a relaxation in the tension of the Korean Peninsula, and create favourable conditions for the reunification of an independent and peaceful Korea. ... We are gratified at, and welcome, this development(84).

At about the same time, an editorial in RMRB, commemorating the 45th anniversary of the N.Korean Communist Party, stressed the importance of high-level exchanges and policy coordination in North-South dialogue(85).

S.Korea's reunification policy, based on the principle of a "divided nation without tension", was acceptable to the Chinese, leading them to compromise between China's recognition of S.Korea and China's reunification policy towards Taiwan. Chinese leaders attempted to apply their principle of "one country, two systems" to the Korean peninsula's two governments--claiming that Hong Kong would remain unchanged even beyond the fifty years promised in the Sino-British joint declaration on Hong Kong after it returns to Chinese rule in 1997(86).

Peking believed that in the longer term N.Korean communism would be seriously threatened by Pyongyang's failure to introduce economic reforms. China was also concerned to show that N.Korean communism was different from that of the Eastern European socialist countries. Thus when S.Korean Foreign Minister, Choi Ho Joong, revealed that Seoul had made preparations to apply for separate entry into the UN, it was reported that China would not veto S.Korea's application

for UN membership(87). One of the S.Korean officials added that Seoul had been encouraged by a report that Peking had rejected a demand by Kim Il-sung for China to commit itself to vetoing any S.Korean application to join the UN(88).

The sudden advance in inter-Korean relations came about because China sought greater regional security for Northeast Asia. S.Korea was happy to move in the direction that was desired by the Chinese because the continuing threat of conflict on the Korean peninsula was acknowledged by Seoul as major impediment to full diplomatic relations with Peking. There also existed in S.Korea a popular enthusiasm for any progress possible towards unification. N.Korea came to the table in response to the improvement in USSR-S.Korean relations. It was now the only option available, other than a descent into deeper isolation, and Peking encouraged Pyongyang to put its best foot forwards, fearing the collapse of N.Korean communism unless economic reforms were instituted. With signs all around that the S.Korean government informed China of the real motives behind her initiatives towards reconciliation with N.Korea, it was less difficult for China to develop relations with S.Korea to the point where it would be appropriate to make a bridge to fully-fledged diplomatic ties, in the same way as the USSR had done. The culmination of S.Korea's success came with the appointment, in November 1990, of Roh Jae-Won, former Deputy Foreign Minister of S.Korea, and ranked "veteran diplomat", as KOTRA's representative in Peking, and *de facto* ambassador to China(89).

## **5.2 Economic Relations**

Only one country in Asia does not officially trade with China directly, namely S.Korea. During this crucial period, as China gradually gained international recognition as one of the most dynamic trading nations in the world, S.Korea and China, became ever more economically interdependent. A growing economic



regionalism developed, based on more favourable conditions for promoting economic cooperation: the consolidation of direct trade; the growing exchanges between the northeastern local provinces of China and S.Korea; the fostering of joint-industrial commercial ventures with all their advantages arising out of the aggregation of capital, technology, manpower and natural resources between China and S.Korea. The trade between China and S.Korea provided a timely support for the S.Korean government's *Chung-kyung-hap-il* principle in its New Northern Diplomacy.

Economic relations and trade ties between the two countries increased by leaps and bounds in the latter part the 1980's. Two-way trade was gradually growing with direct shipments of mostly Chinese raw materials, across the Yellow Sea from the Northeast provinces of China to S.Korea, though indirect trade via third countries remained important. Trade during 1988 is believed to have totalled at least US\$1 billion. According to S.Korean Trade and Industry Ministry (Hereafter MTI) statistics, S.Korea's trade with China, which amounted to US\$3.14 billion in 1989, nearly ten times the value of Peking's trade with the North, stood at US\$3.84 billion in 1990 including more than US\$2 billion in the import of coal and grain from China, and more than US\$1.5 billion in the exportation of steel, etc., to China(90).

Although Peking's opening-up to Seoul has been slower than that of Moscow the actual volume of S.Korea's trade with China was larger than that with the USSR. Exports to the USSR in 1990 were up 40% while imports rose 128%, and both exports and imports with Eastern Europe almost doubled compared with the same period of the previous year, but S.Korea's trade with China was four times larger than trade with the USSR and Eastern Europe(91). In 1990, trade with China increased 22.4% to US\$3.84 billion. Exports climbed 9.9% to US\$1.58 billion, led by synthetic fabrics, leather, paper and raw materials for processing; and imports reached US\$2.268 billion, up 33%, headed by bituminous coal, crude oil, petroleum

products and cement(92). Professor Young Whan Kihl reckoned that China accounted for 5% of S.Korea's exports by 1990(93).

### **The Growth of Regional Economic Cooperation**

Two discernible features have emerged in the 1980's which have global ramifications: one is the so-called "new *detente*," proceeding far beyond even the boldest expectations. The other is a quiet but persistent trend towards the regionalisation of international economic relations as witnessed in both the European Community and the US-Canada Free Trade Agreement. In the Asian-Pacific region as well, there are some indications of sub-regionalisation.

With the general relaxation in international relations the countries of the Northeast Asian region became more relaxed about threats to their security, viewing security in very comprehensive terms and opening up to economic cooperations of a multifaceted character. Countries in the region chose to replace their old alliance structures entirely, seeking to achieve a new equilibrium based on a complex framework of cooperation which emphasises forbearance, concessions, and above all a continuous process of consultation. It became possible to engage in multiple economic linkages with surrounding nations, seeking a new kind of *modus vivendi* that transcended differences of social or political organisation. Such a system of multiple linkages was fundamental to the changing face of Northeast Asia, based on the growth of regional economic cooperation(94).

Even though there was no incipient regional integration near at hand, nor were all members of the Northeast Asian community equally excited about the extent or the nature of their increasing regional economic cooperation, the expansion of these patterns into a comprehensive regional organisation began to arise as a tentative possibility; deepening and spreading the economic network to



encompass all those nations which partake of the common heritage of either Chinese Confucianism or neo-Confucianism, whenever the trend of political relaxation in the region initiated by Sino-Soviet *detente* permits it.

A commonality of interests became steadily more prevalent in the region: with the exception of Japan, all of the free market economies of the region depended on regional markets for more than 50% of their trade; intraregional trade and investment were growing rapidly; China devoted her primary energies to expanding channels of contact and communication with S.Korea and Taiwan; S.Korea and Taiwan as financiers in their own right were active in building up new regional economic cooperation; finally, the other two communist countries in Northeast Asia, N.Korea and the USSR, like China, were anxious to trade with the non-communist countries, which hinted at the future levels of economic relations between the peninsula's two very different economies.

Taking all these factors into account it is clear that there are important reasons to pay close attention to what was taking place in the relations between China and S.Korea. Based on the development of such shared interests and common patterns of exchange in the region, both China and S.Korea could be expected to play an active role in the growth of regional economic cooperation.

There was a rapid growth of trade between the two countries arising from a "macroeconomic" transformation in which labour-intensive manufacturing moved from S.Korea to China. Chinese light industry, agriculture and abundant labour admirably complement the S.Korean heavy and technology-intensive industries, and their capital, technology and managerial skills. China and S.Korea shared an understanding of the potential advantages from taking part in regional economic development; resulting in policies in both China and S.Korea designed to bridge their gap in economic development between them.

S.Korea's "Northern Policy" towards China had created a favourable atmosphere for such economic cooperation. Soon after the Sixth Republic of S.Korea made expansion of trade with China one of its central priorities, the government of S.Korea showed considerable enthusiasm for the creation of some forum of economic cooperation based around the Pacific basin, studying the formation of such an institution with Japan and Australia(95). Regardless of the success or failure of plans for a Pacific Basin organisation, S.Korea was in a good position to encourage the communist countries into closer association with the region's free-market economies.

China also appeared to be considering some version of a sub-regional economic development as part of the strategy towards regional economic cooperation. China's economists and research institutes were increasingly concerned with the concept of "Northeast Asian Economic Community"(96). The Chinese leaders therefore attempted to improve economic relations with S.Korea by advocating the "principle of cooperations", i.e., mutual benefit, flexibility, voluntary participation, economic diversification, and an open system(97). China announced ambitious plans to open the Dalian region, an important window to China's Northeastern Provinces of Liaoning, Jilin and Heilongjiang(98). These provinces, towards which S.Korea has shown less interest compared to other coastal regions such as Guangdong and Shandong, began to take on an increasing role in the all over economic intercourse between the two countries. These provinces are rich in natural resources and have solid industrial bases, particularly Shenyang, Heilongjiang and Jilin. These areas are of potential interest to S.Korea interested in multilateral economic cooperation.

After 1988 with the Chinese *de facto* recognition of S.Korea and the establishment of official commercial links with China a wider geoeconomic



cooperation in Northeast Asia became possible, with the increased openness of trading and the establishment of direct transportation links, so that economic relations between China and S.Korea expanded.

### **Equal Treatment for S.Korean Businessmen**

China-watchers in Hong Kong began to detect a genuine readiness, on the part of China, to treat S.Korea on an equal footing with other foreign countries(99). There are several pieces of evidence which support this view. Firstly, in early 1988 a foreign investment promotion team from Guangzhou, the capital city of Guangdong province, gave a briefing on business conditions in the city to more than forty S.Korean businessmen stationed in Hong Kong(100). At the briefing session, which lasted one-and-a half hours, Lin Bing, vice chairman of Guangzhou city foreign economics and trade committee, and Ni zhian, deputy chief of the Guangzhou customs office, said that existing conditions for trade between the two countries were characterised by many difficulties, but the situation could be expected to improve gradually. S.Korean businessmen in China would be able to enjoy equal treatment with other foreign businessmen, and China was adopting the same attitude towards trade with Seoul. Kim Pu-ki, researcher at the Foreign Ministry's Institute of Foreign Policies and National Security, suggested that S.Korean enterprises should look to Guangdong province, which had established over 700 foreign trade companies in Hong Kong, Macao and other Chinese provinces rather than Shandong or Liaoning peninsula(101).

Second, a Chinese court in the port of Qingdao ruled in favour of a S.Korean shipping company, which constituted a major breakthrough in Sino-S.Korean shipping relations. Qingdao maritime court, in accepting a claim by a S.Korean company, the Sewon shipping company, as represented by a Shanghai law firm, was the first court in China to recognise the legal standing of a S.Korean company. The

court ruled that a ship docked in Qingdao and owned by the Indonesia-based company Ghama-sentosa, which was in debt to Sewon, should be auctioned off. The ruling was made despite the fact that neither S.Korea nor Indonesia had diplomatic relations with China. Qingdao's recognition of the S.Korean claim was the result of a series of moves by China towards treating S.Korea as an equal trading partner. In the view of international lawyers, the court's move also represented a step forward in China's professed aim of adhering to the rule of law, and to international standards for ports. Ji Guizhi, the acting marshal for the auction, confirmed that the Sewon had applied directly through a lawyer in Shanghai but declined to give the name of the law firm(102).

Third, S.Korea's leading electronics manufacturer Goldstar Co. Ltd. held an exhibition of its goods in Shanghai, China, under the title "Made in Korea", in a bid to establish a foothold for much greater trading inroads into China. Goldstar exhibited about 2,340 items, including home appliances and semiconductors, from May 23-25 1988, at the invitation of the Shanghai Instrumentation and Electronic Import Export corp. It marked the first time that a S.Korean home appliances manufacturer had held an exhibition in China at the invitation of a Chinese corporation. During the exhibition, Goldstar also planned to hold two seminars on electronics technology, inviting Chinese engineers to participate, according to Goldstar officials. They were negotiating with Shanghai city officials to set up a permanent Goldstar exhibition Centre in Shanghai(103). According to the S.Korean Ministry of Trade and Industry, electronics exports to China almost quintupled to US\$783 million in 1988. Goldstar alone shipped US\$400 million worth of electronic products to China in that year, accounting for 15% of the company's total exports(104).

Fourth, China was seeking to protect the industrial property rights of S.Korean businesses. According to business sources in Seoul, a private firm in Hong



Kong, designated by Peking as its agent for the registration of industrial property rights of foreign concerns in China, had been empowered to handle the registration of such rights for S.Korean firms. Novel Technology Development of Hong Kong asked the S.Korean government to introduce S.Korean firms interested in registering their industrial property rights in China. S.Korea for its part was also protecting the industrial property rights of Chinese businesses, as shown by the case of China Patent Agent (Hong Kong) which filed an application with the S.Korean government for the registration of a Chinese concern's industrial property(105).

### **The Consolidation of Direct Trade**

It was necessary for China and S.Korea to establish direct transportation and communication networks between them, coordinating these with the principles of industrial development which had been mutually established: non-exclusion of Northeast Asian countries, respect for one another's sovereignty, the redress of imbalances in economic development, and cooperation based on equal partnerships(106).

Although it is difficult to determine the precise time at which direct trade was fully established, it would seem that 1988 saw the consolidation of the linkage. At the end of 1980's direct trade accounted for more than half of the total bilateral trade of US\$3 billion(107).

A number of complementary political factors encouraged the establishment of direct trade between China and S.Korea. The continued gradual relaxation of tension on the Korean peninsula allowed the two countries to address the opportunities for trade directly, without reference to N.Korean sentiments, and go on to consolidate the direct trade between them.

Concerning Japan; China saw the expansion of Sino-S.Korean trade as a lever to encourage more Japanese investment in China. Moreover, the Chinese had been trying to persuade Japan to transfer more technology to China, and were disturbed by the continuing deficit in their trade with Japan. The S.Korean economy grew by 12% annually between 1988 and 1990, indicating that S.Korea might expect to join the ranks of the advanced industrial countries within three to five years. China therefore perceived S.Korea as a more promising source of investment and technology than Japan had proved to be, and one with whom trading might be pursued on a more balanced basis(108). At a meeting of the advisory council for the coordination of government economic policy Professor Kim Song-hun, of Chungang University in Seoul, asserted that China seemed to have the intention of checking the Japanese exploitation of the Chinese market by means of its approach to S.Korea. He suggested that both China and S.Korea were in need of an improved bilateral relationship based upon their practical economic interests(109).

Concerning N.Korea; the development of the budding relationship between the two Koreas enhanced the prospect of direct trade between China and S.Korea. Describing S.Korea's New Northern Diplomacy as "something of the past, and we are now looking forwards," President Roh gave a strong indication of Seoul's readiness to improve its acrimonious relations with Pyongyang(110). President Roh described the situation as

"very paradoxical: The two sides want to strengthen their cooperation and develop their trade. But, because of political considerations, we are progressing much more slowly than we ought. .... Our trade will continue to increase, particularly after the Olympic Games. The problem of N.Korea continues to overshadow our cultural, historical, and economic perspectives, so we will have to move gradually."(111).

Following the S.Korean government's promulgation of new guide-lines for North-South economic exchanges, there were several instances of covert trade between N.Korea and S.Korean businessmen(112). On 14 December 1988 Samsung



Corporation agreed to import 1000 tons of deep sea fish from the North through its trading partner in Japan(113). Also, on 1 February 1989 the Hyundai Group revealed that it had agreed to a joint-venture development of N.Korea's Mt. Kumgang into an international tourist spot, and had also agreed in principle to participate with N.Korean companies in the USSR's Siberian development programmes(114).

These developments helped remove the embarrassment of Peking in engaging in direct trade with S.Korea. The leadership of China and its high-ranking officials maintained a very prudent attitude in consideration of N.Korea. Hu Qili, one of the five members of the Politburo Standing Committee, stated in January 1988 "if N.Korea agrees, of course direct trade can be pursued"(115). Hu's statement was quite forward-looking, and was obviously indicative of the foreign policy directions Peking was pursuing to open its door to S.Korea. Moreover, in April 1988 Peking's Deputy Premier Tian Jiyun was quoted as saying that China might develop direct trade with S.Korea(116). Tian Jiyun and Shen Jueren, assistant ministers of foreign economic relations and trade respectively, made strong and positive remarks in March 1988 on the possibility of direct trade between S.Korea and China, thus indicating that economic exchanges between the two countries would soon move forward another step.

Finally, concerning the USSR; closer economic relations between the USSR and S.Korea provoked some concern in Peking. Although more limited than Sino-S.Korean trade there was clearly much potential for the development of Soviet-S.Korean exchanges. The Soviets already were trading with many of the major S.Korean companies including Goldstar, Samsung, Sunkyoung, Daewoo, Jin-Do, and Lucky Gold Star, among others(117). Encouraged by President Roh's New Northern Diplomatic Policy, there had been many signs of increased contacts, and the planning of trade and investment between the two countries, including joint

ventures. The Chinese feared that S.Korea's capital and technology would be diverted from China into the USSR.

China considers Chinese-S.Korean economic cooperation to be not only mutually beneficial but also geographically convenient. Thus, a network of trade links has been developed, and the resulting economic momentum has generated a strong growth in direct shipments between China's east coast and S.Korea's ports.

The upsurge in trade during 1988 led S.Korea's private sector to expand direct trade relations with China at the private level of company-to-company agreement through *de facto* private liaison offices in China. For example, the Federation of S.Korean Industries (Hereafter FKI) inaugurated, in 1988, a consultative body consisting of representatives of businesses already engaged in indirect trade with China(118).

Business sources said on June 7, 1988 that the S.Korean companies Samsung Co. Ltd., POSCO, Ssangyong Corp., Sunkyung, Hyosung Corp., Ssangma Textile Co., Hyundai Motor Co., and Daewoo Corp. had also been operating via liaison offices in China(119). Chu Baotai, deputy director of the Foreign Investment Bureau of China's MOFERT, also referred to such offices when he spoke to Japanese and Chinese businessmen on 4 November 1988, saying: "So long as the two sides intend to develop economic and trade ties, it is necessary and natural for them to set up representative offices"(120).

A Chinese trade office in Hong Kong played a parallel role, ironing out difficulties in China's trade with S.Korea, and also issuing entry visas for S.Korean businessmen wishing to visit China, according to the instructions of the Chinese Commission for the Promotion of International Trade (Hereafter CCPIT) in Peking(121).



The S.Korean Exchange Bank set up correspondent bank relations between its Hong Kong branch office and the branches of two Hong Kong banks, the Hong Kong-Shanghai Bank and the Standard Chartered Bank, both located in Shenzhen, China, to assist S.Korean businesses engaged in direct trade with China. S.Korean businesses and Chinese firms could now settle their trade accounts directly, and receive financial advice. In another development, a delegation of S.Korean bankers travelled from Hong Kong on July 29, 1988 to Peking, for discussions with Chinese banks on boosting business exchanges and trade between the two countries; they also studied the financial situation in China(122).

Having moved towards direct trading in preference to trade via intermediaries, the Chinese agreed to establish direct transportation links with S.Korea. For example, the indirect air route via a third country requires a six-hour journey, compared with 90 minutes for the direct route over the Yellow sea. The costs on the direct route are only one-fifth of those for the indirect routes. There was also the disadvantage of paying an unnecessary 10-15 percent commission to the intermediaries, mainly Hong Kong, Singapore, and Japan. For some types of trade they demanded 3 times the average commission, in consideration of the dangers involved(123).

S.Korea's Chunkyung Shipping Co. Ltd. began a direct shipping service between S.Korean and Chinese ports around the end of July 1988. Containers were placed on the occasional line between the S.Korean ports of Pusan and Inchon and the Chinese ports of Shanghai and Tianjin. The service employed Chunkyung Tramps chartered by a Hong Kong shipping company(124).

S.Korean shipping company executives visited China to discuss setting-up direct services between the two countries, holding discussion with the Chinese

Ocean Shipping Company (Hereafter COSCO), the Chinese state-run shipping company. Direct shipments between the Chinese ports of Dalian and Qingdao, and Pusan in S.Korea, began in September 1988, using a chartered Hong Kong flag-carrier, the Jasmin Prince(125). The problem of Chinese ships coming to S.Korea was solved, according to an official from Heung-a shipping company, by the use of flags of convenience, such as those of Panama or Liberia, likewise the problem of S.Korean vessels entering Chinese ports(126).

Other shipping companies, including Dongnama shipping Co. Ltd. and Hyundai merchant marine Co. Ltd., opened direct lines to and from China. Hong Kong's Vigour Line Shipping Enterprise Ltd. provided a direct service between S.Korea and China through its S.Korean general agent, Sejin shipping Co. Ltd., while Fair Weather Steamship Co. Ltd., another Hong Kong shipping company, offered the same service through Pan Asia Corp., its S.Korean agent(127).

There were significant savings to be made by shipping directly between China and S.Korea, both from reduced fuel costs and from cutting out the intermediaries. No agreement was reached on regular air services, however, though Cho Choong Kon, president of KAL, and Ko Chung-sam, the carrier's executive managing director for international affairs, visited CAAC in Peking to discuss the possibility of KAL launching services from S.Korea directly to some Chinese cities, and also of other KAL flights passing through Chinese territorial airspace(128). They also discussed cooperation regarding CAAC flights into to S.Korea during the Seoul Olympics.

When, in May 1988, China dispatched a five-member delegation to Seoul headed by He Gungwei, vice chairman of the China Tourism Administration to participate in the 18th session of the World Tourism Organisation Commission for East Asia and the Pacific (Hereafter WTO-CAP), S.Korea had already discussed with China ways to fly directly to Seoul over the Yellow sea(129).



### **The Growth of Local Trade**

S.Korea's trade with China's northeastern provinces increased significantly from 1988. Geographical closeness was the principal reason for S.Korea's interest in this region, and the presence of Korean-speaking minorities was also useful for S.Korean companies. During the previous one and half decades of rapid trade growth, the decentralisation of China's trading system led to strong development of its northeastern provinces, such as Shandong, Liaoning, and Jilin, which began to play a role in the regional economic cooperation between China and S.Korea. In effect, the middleman role of Hong Kong in indirect trade between China and S.Korea was replaced by unofficial direct trade between China's northeastern provinces and S.Korea's west coast ports.

S.Korea planned to invest several billion dollars to develop industrial sites and harbours along the country's western coast, and with this in mind Minister Moon Hi Gob, the former Vice Minister of EPB and Presidential Assistant for Economic Affairs, organised the International Policy Coordination Office (which has a staff of 25 divided into three departments) to coordinate the nation's overall economic policy towards China(130). These plans were welcomed by the Chinese Foreign Minister Qian Qichen, when he was interviewed by Liaowang magazine. He indicated that China would promote links with S.Korea on the basis of direct trade despite the absence of diplomatic relations, such trade being expected to expand during 1988. He also pointed out that direct trade between them was in line with China's strategy of establishing economic zones along its coast as part of China's open-door policy(131).

From a practical stand-point, China was more interested than S.Korea in having the best possible economic relations between them. In Peter Ferdinand's view

the leadership in Peking was surprised by the extent of the difficulties encountered, when the doors were opened wide to trade, in sustaining the fraught and complex relations between the centre and the provinces, and also among the provinces. Economic asymmetries between central and provincial governments, as well as between the various provinces, required a variety of appropriate regional foreign policies according to the differing geographical and economic advantages enjoyed by the different provinces. Thus growing regional economic cooperation was the engine by which China hoped to redress the imbalance of provincial economic development, pooling the strengths of various regions for the sake of common prosperity; and this resulted in increasing autonomy for the provinces, better horizontal links among the provinces, and the development of closer ties between border provinces and their neighbouring countries.

The Chinese central government deliberately insisted on more dealings with the local provinces, putting S.Korea on the same level as a local government in China. Provincial Chinese leaders, especially those of Shandong and the three northeastern provinces, were very interested in promoting economic relations with S.Korea in order to redress the existing imbalance in development between their foreign trade and domestic economic reform(132).

If Guangdong and Fujian provinces could be successful in promoting links with Hong Kong and the West, a similar course of development also seemed possible in the northeastern provinces of Liaoning, Jilin, Shandong, and possibly Heilongjiang. S.Korea's investment and trade links are strongest in these provinces because of their favourable location for direct trade with S.Korea. All of them are much larger than S.Korea, attracting S.Korean technology and investment, and taking in new technology, in exchange for the export of resources(133). Such a process was already under way in Shandong and Liaoning, whose economy was becoming ever more closely intertwined with that of S.Korea. According to



Zhengming [Contention], China had opened the northern coastal areas to the West, and especially to S.Korea. Shandong, Liaoning and Jilin provinces which had so far attracted relatively little investment from Hong Kong, Japan, or the West, were actively encouraging direct trade with S.Korea(134). Shandong province in particular is just 300 miles away from S.Korea's ports across the Bohai sea. From the Chinese point of view, all such developments contributed to the regulation of relations between the central government and the provinces, and between different and unbalanced provinces.

A S.Korean TV network reported on July 25, 1988 that a private S.Korean trade mission, which visited China from June 15 through to early July, had exchanged a memorandum of agreement on direct trade with the Shandong province of China. The memorandum was signed by Kim Woo Choong, chairman of the Daewoo business group and head of the S.Korean mission, and the chairman of the provincial chapter of CCPTI. Among the members of the S.Korean trade mission was Kim Pok-tong who was a director of the International Private Economic Council of South Korea (Hereafter IPECK), created in October 1988 as a non-governmental organisation to assist S.Korea's various private enterprises in their business with non-market economies. The memorandum also called for the opening of direct shipping routes linking the two countries, the exchange of trade offices, and the establishment of banks, an insurance firm, and a shipping company. They also agreed to issue entry visas to those wanting to visit the other side for direct trade(135). In addition, the memorandum set out details of S.Korean firms' participation in the development of electric power and industrial water supply facilities at Qingdao, a port in Shandong.

In practice, as S.Korea expanded its sphere of influence in China, the nearly 2 million Chinese-Korean inhabitants of the northeast provinces, compared with other minority nationalities in China who have little connection with their homelands,

created for the S.Koreans a significant advantage in China. The Chinese government espoused a long-range policy to realise total integration of the so-called *Chosen* minority who were the descendants of refugees originating from both Koreas in the early 1940's. Notwithstanding the Chinese policy S.Koreas gained significant benefit from the common culture, language, and emotional affinity with these Chinese-Koreans. Despite their initial inclination towards N.Korea as a result of Peking's ideological relations with Pyongyang, the economic infrastructure of China's *Chosen* people has expanded rapidly. Their markets enjoy an enormous variety of goods from Japan, both Koreas, and the West, not to mention China, compared to other predominantly rural areas in China. When, from 1988 onwards, improved economic relations between China and S.Korea opened the doors to tourism and family visits, many enterprising *Chosen* began to capitalise on their bicultural upbringing. Many S.Korean companies were taking advantage of the harmonious *Chosen*-Chinese relations by employing the *Chosen* as company representatives in China's large coastal cities in Manchuria and in Shandong province. Over 50 S.Korean companies also showed long-term interest in northeastern China; being geographically close to S.Korea, this area, with its Korean-speaking minority provided a unique opportunity to establish close contacts between China and S.Korea(136). A number of different trading companies in Seoul, including General Trading Company (Hereafter GTC), Daewoo Corp., Samsung Co., Lucky-Goldstar, Sunkyung Ltd., and Hyundai Corp., worked out strategies to enter the Chinese market, beginning in the northeast local provinces, in advance of the advent of direct trade with China(137). They expanded their branch offices and trained employees for deployment in China.

An economic delegation from Jilin province visited S.Korea in 1988, Hong Kong having acted as a go-between in conveying their invitation(138). This visit was the first well-publicised agreement between China and S.Korea to trade directly on private level. A senior official of Shenyang visited S.Korea to tour industrial facilities and discuss ways of promoting trade between them. He was quoted as saying: "I



would like to set up a private trade representative office in Seoul"(139). There were various exchanges between S.Korea and the Northeastern provinces(140). Direct trade was being augmented by direct South Korean investment which resulted in the establishment of private offices in Chinese provinces, that in Shandong being the most important(141).

On behalf of a private S.Korean trade mission Kim Woo Choong, chairman of the Daewoo business group, signed, with the chairman of Shandong province CCPIT, a memorandum of agreement concerning direct trade between S.Korea and Shandong, topics covered included direct shipping, the exchange of trade offices, financial matters, and the issue of visas(142).

Jia Peiguo, head of the Foreign Trade Office in Longkou, Shandong province, was reported as saying that "we welcome investment from S.Korea." This was the first time a Chinese provincial official had spoken so clearly and directly on the subject of economic links between China and S.Korea. It was announced that similar industrial zones would be set up in several other Shandong cities, including the capital, Jinan, Qingdao, Yantai and Weihai(143). Rong Yiren, chairman of the China International Trust and Investment Corp (Hereafter CITIC) stated: "We prefer direct exchanges, including trade and investment". He also revealed that CITIC had a direct relationship with S.Korean firms(144). By late 1988, discussions between Peking and Seoul officials over the establishment of permanent trade offices and direct sea links between S.Korea and Shandong province were under way.

The growth of economic relations between China and S.Korea was greatly assisted by the implementation of the so-called "Enterprises Law", put forward by Zhao Ziyang which ruled that all business operations of enterprises are legal unless they run counter to the state-owned enterprises law or other relevant laws. Zhao

Ziyang stated: "The gist of the law is the separation of ownership from managerial authority in state-owned enterprises"(145).

For S.Korea, with the global economy allowing ready access to an international marketplace, labour has become a commodity in economic relations with China(146). Between 1972 and 1982, real wages in the S.Korean textile industry rose by 103 percent, while labour productivity went up by only 40 percent(147). Moreover, in Spring 1989, the average cost per hour of a textile operator in S.Korea was US\$2.87, compared to US\$0.40 in China(148). Thus, with production costs increasing in S.Korea, many S.Korean companies planned to move their production facilities into China as political relations eased turning to Original Equipment of Manufacture (Hereafter OEM) production(149).

Most of the joint ventures between China and S.Korea took the following form: The Chinese side provided the major part of the factory buildings, wages for the first few months, a building site and raw materials; while the S.Korean side provided equipment, machinery and skills. In a series of press briefings held in early 1989, the Ministry of Foreign Economic Relations and Trade outlined the principal features of China's S.Korean trade policy:

Although China has no official political or trade relations with South Korea, it is reported that South Korea is keen to develop stronger economic ties. Already some South Korean companies have asked for direct negotiations with Chinese foreign trade companies, and China's reform programme has put a lot of decision-making power into the hands of export-oriented enterprises. These enterprises now have the right to select their own co-operative partners according to the needs of their business(150).

In May 1988, Jingji Ribao (Hereafter JJRB) confirmed for the first time that China's coastal provinces would develop trade relations with S.Korea(151). China was creating at Longkou a "processing zone for direct trade between China and S.Korea in the form of joint venture enterprises"(152). This was the first time that a



high Chinese official had spoken directly of a possible joint venture plan with S.Korea. An economic and trade delegation from the city of Dalian visited S.Korea in July 1988, discussing investment and the establishment of joint ventures in Dalian(153). A delegation of S.Korean businessmen had already been to Longkou(154). There were the first steps towards the creation of an infrastructure to welcome S.Korean capital to the province closest to S.Korea.

According to Business Week, by early 1988, about 50 S.Korean companies had openly established trade and investment with China, setting up various types of joint ventures(155). These included Daewoo's US\$2.57 million refrigerator plant in Fujian province; Goldstar's US\$15 million colour TV plant; an agreement to manufacture melamine dinnerware in Liaoning province, signed by the S.Korean plastic Industry Cooperative (Hereafter KPIC); and joint ventures to expand S.Korean exports of cigarettes and red ginseng, already worth US\$280,000 during 1987(156).

S.Korea was prominent in middle East construction projects, but in the wake of the war between Iran and Iraq operations were diverted to China, for example Ssangyong's involvement in a three-party international consortium to rebuild Dalian port in Liaoning province(157). The first Chinese-S.Korean joint venture based in S.Korea was set up by Orion Electric of the Daewoo group, in Gumi city, to make three million colour TV tubes annually; mostly for export to China(158). Samsung was particularly active in arranging joint ventures, collaborating with the CITIC, the Hong Kong-based Well Youth Co. and Flake Electric Appliance Corp. among others. Their investment included US\$5 million required for a VCR manufacturing plant in Zhouhai(159). They also built a colour TV plant in Shenzhen, and laid optical cables connecting Shanghai, Tianjin and other cities(160). Samsung's exports to China included telephone exchanges, word processors, fax machines, telephones and other telecommunications equipment--some of these items being required for the 1990 Peking Asian Games(161).

The expansion in the number and scale of joint ventures between the two countries were not, however, without setbacks and controversy. S.Korea's enthusiasm for its joint venture with China waned as S.Korean businessmen discovered the realities of doing business in China. Difficulties resulted from the different objectives of China and S.Korea. Whereas Seoul viewed China principally as a huge potential market for the export of consumer goods, Peking saw S.Korea primarily as a substitute for Japan, which had shown little interest in the technology transfer which Peking sought. China had decided to attract technology and investment from S.Korea, rather than importing finished consumer goods for the domestic market. Han Kyuhuan, a professor of Harbin Technical College, also warned that it would be dangerous for S.Korea to view its joint ventures with China only as a potential market for expanding S.Korea's exports(162).

An example illustrating the difficulties involved with joint ventures is the case of Kia, who planned to build an car assembly plant with an annual production capacity of 50,000 units in China's Shandong province. The arrangement fell through because the Chinese side asked for cash worth almost 70 percent of the deal. Kia was also suspicious of the quality of the Chinese workers, who had been isolated from the outside world for a long time. S.Korea hoped to set up a base in China that would enable the manufacture of cars at low cost for the Chinese market. When a plant was eventually established by Kia there were further problems. In the fall of 1988, the Chinese government limited the import of foreign automobiles and automobile parts due to the country's shortage of foreign exchange at that time. Parts for the Kia joint venture in China piled up at Pusan Port in S.Korea. They could not be transported to China without an import licence even though they were badly needed on the Kia production line in China. Moreover, the Chinese government had promised to permit the exchange of Reminbi for US dollars, and



also to give preferential treatment on import taxes, but these promises were not honoured, and ultimately the venture collapsed(163).

China's underdeveloped economy was hardly conducive to S.Korea's joint ventures. In some cases it was even necessary to install electricity and water. Roads were poor and there were often no rail links to markets. Other problems concerned salary, personnel skills, employment laws, and foreign exchange difficulties preventing the repatriation of profits. The Chinese domestic market was very tightly controlled: although Chinese laws specify that joint ventures must agree to export 70% of their production, targeting only 30% of their output on the Chinese domestic market, the Chinese local provincial governments often insisted on the export of the entire production(164). In these circumstances S.Korean China scholars have warned that S.Korean joint ventures in China are unlikely to earn profits from the domestic markets in China(165).

Critics in S.Korea said that many S.Korean businessmen were better at sniffing out joint ventures with China than at managing them, hoping to persuade the government to lend them funds on long-term loan packages(166). Joint ventures between the two countries remained controversial, even though China promulgated a new law called "the Provisions of the State Council of the PRC for the Encouragement of Foreign Investment". S.Korean businessmen believed the Chinese were treating S.Korean businesses in a way which was designed to exact the maximum amount of money in the shortest possible time(167). Feasibility studies were clearly necessary before businesses could be launched in China based on the Chinese domestic market, which was still weak, with little likelihood of a sharp increase in demand for commodities like cars in the near future.

Many S.Korean companies planned to move their own production facilities into China, turning to OEM production because of continuing demands for big wage

increases, and labour disputes which had reduced output in S.Korea. Critics of the growth in joint ventures included business leaders; having already seen their profits flattening, they expected worse to come as a "boomerang" effect hit S.Korea's light industries(168).

The S.Korean government was somewhat bewildered by S.Korean newspaper exaggerations concerning joint venture projects with China. The S.Korean Prime Minister, Lee Hyun-Jae, warned about the impatience of the S.Korean press, which exaggerated both the existence of and the prospects for economic ties, in particular joint ventures, between China and S.Korea, noting that any magnification of the actual condition of ties with China or other communist countries made it difficult for the government to carry out its China policy prudently(169).

On the eve of the Tiananmen incident, S.Korea's business investment in China had reached US\$30 million for 13 major joint venture projects, while 50 more projects were under negotiation including US\$5 million by Gold Star Electronics to produce colour televisions in Zhouhai, US\$3.5 million by Dae Young Fishery for fishery products in Huilai, US\$2.75 million by Samick Music to manufacture pianos in Harbin, and US\$3 million by Samyang Food to produce noodles in Qingdao(170). Even though the Chinese Foreign Minister Qian Qichen, in an April 7, 1988 press meeting, said that China's participation in the Seoul Olympic Games did not signify a move by Peking to establish diplomatic relations with Seoul, the Olympics had clearly conferred international prestige on S.Korea. Seoul was confident that her economic connections with China had great strategic usefulness as part of the New Northern Diplomacy, pressing China further along the road to the establishment of formal relations with S.Korea(171).

### **The Impact of the Tiananmen Incident**



Despite the political implications of the Tiananmen incident, S.Korean attitudes towards China began with "limit the damage" and "wait and see," and moved to "business as usual."

In the first half of 1989 China was S.Korea's largest trade partner with imports of US\$119 million, an increase of 55% compared with the previous year, and exports worth US\$380 million, an increase of 39.6%, S.Korea wanted to maintain this scale of trade(172). The fundamental interests of S.Korea, and especially the requirement for an adequate supply of raw materials rendered essential the continuation of the Chinese trade.

S.Korean Foreign Ministry officials and newspaper columnists remained optimistic that Sino-S.Korean trade volumes would not change. S.Korean business people had been permitted to visit China and the S.Korean government was allowing citizens to travel to China again, saying "tranquillity has been restored"(173). When the Fourth Plenum of the Thirteenth Party Central Committee of the CCP convened in June 1989 it pledged to continue the implementation of the principles and policies laid down since the historic Third Plenum of the Eleventh Party Central Committee in December 1978. Speaking at a meeting on June 20 1989 of the S.Korea Chamber of Commerce and Industry, Choi Ho-chung predicted stability would return "quickly" to China because Deng Xiaoping was in full control. He stated: "Out of political consideration for social stability, China will leave open the possibility for improvement of relations with us", and he added that S.Korea would continue to work for improved relations both on the governmental and private levels"(174). It was also reported that just after the Tiananmen incident the 2,455 ton container ship Melissa left Inchon on June 17, calling at Tianjin, Dalian and Shanghai, with 120 containers on board full of electronics and textiles(175).

The First International Fair, the largest such exhibition in China since the founding of the PRC, was held at the China International Exhibition Centre in Peking in July 1989 and provided S.Korea with a good opportunity to reduce the impact of the Tiananmen incident on trade with China. It was the first time that representatives and businessmen from S.Korea, most of them officials of KOTRA, had taken part in a such a large-scale trade event in China. The most important S.Korean stand displayed personal computers(176). S.Korea maintained its investments in China, which amounted to US\$14.3 million on 18 projects in 1989, a similar amount to the previous year(177).

Nevertheless, domestic critics were more cautious after the Tiananmen incident. Professor Kim Se-won of Seoul National University warned against any excessive optimism among S.Korean firms regarding business opportunities in China. He pointed out that no Western countries, not even the US and Japan, had been successful in their business dealings with Chinese, despite the boom in the 1970's. He also urged S.Korean enterprises to limit their business in the region to efforts to diversify markets, rather than attempting to win massive projects or trade deals(178).

Moreover, when the CCPIT requested that IPECK postpone (but not cancel) a mission to Peking scheduled for September 5-12 1989 to negotiate the establishment of trade offices, because Seoul had refused Peking's request to return a Chinese defector, handing him instead to the International refuge Camp in Rome, Seoul expressed a markedly more cautious attitude towards Peking than in recent years(179). Chung Joung-Wook of Seoul National University suggested that it was still too early for safe economic relationships to be established because the S.Korean government's *Chung-kyung-hap-il* strategy of the New Northern Diplomacy had distorted the balance between economic exchanges with China and their political



implications, as a consequence of the overheated competition between departments in government and companies in the private sector of S.Korea(180).

Goldstar was requested by its Hong Kong-based subsidiary to postpone shipments of electronic products to China(181). In article in the official RMRB on September 16, 1990, Yuan Mu said that the austerity measures in effect since the June 1989 incident should continue for at least two more years, and this proposal was adopted at the Seventh Plenum of Thirteenth Central Committee in the CCP in October 1990(182). As a consequence Samsung decided to limit the scale of its trade with China saying: "If China wants to deal with us, we are willing to do business with the stock at hand". After the Tiananmen incident the company had dissolved its department on Chinese Affairs(183). Suffice it to say that S.Korea's approach to China was on a smaller scale and moved more cautiously than had previously been the case.

#### **The Establishment of the First Official Trade Office, after the Peking Asian Games**

For S.Korea the 1990 Asian Games in Peking provided an opportunity to exhibit its economic muscle and diplomatic standing. Having itself successfully hosted the 1986 Asian Games, as well as the 1988 Seoul Olympics, S.Korea had much to offer China by way of useful experience. S.Korea was eager to render the necessary assistance to China, both technical and financial, to make the Peking Asian Games a success, and Peking relied on the help given by Seoul. It was officially reported in the BR that Zhang Baifa, vice chairman of the Asiad Organising Committee and deputy mayor of Peking, had several times visited S.Korea with his aides, to draw upon S.Korea's experiences in constructing sports facilities and to discuss the management of the games(184).

Following Peking's soured relationships with the West after the Tiananmen incident China desperately needed to concentrate on medium-term economic relations with S.Korea(185). The suppression of the democracy movement and the associated shifts in the leadership in China had weakened its effectiveness in promoting economic reform and development, so that China was obliged to appeal for financial and technological assistance from Seoul in staging the games in Peking(186). Even though there were some indications that the "conservative camp" was gaining power both at the central and regional level, China's leadership was obviously convinced of the fact that economic performance was an important guarantor of political stability(187). China continued to actively pursue its open door policy in the area of economic development.

Peking was walking a careful line, as indicated by a high-ranking official at the Ministry of Foreign Economic Relations and Trade who said, on the economic relationship between China and S.Korea, that there was as yet no official relationship in either economics or politics, but he did not deny governmental economic contacts between the two sides: "Our on-going reforms have made it possible for individual enterprises to have much more autonomy, and they are entitled to find their own co-operation partners according to their needs"(188). It was also reported that early in 1990 Deng Pufang made an unannounced visit to Seoul to discuss business deals with S.Korean companies(189).

Two S.Korean firms, Samsung and Lucky-Goldstar, spent about US\$15 million for billboard space advertising S.Korean products. Hyundai Motor Company donated 400 cars and coaches to help transport the athletes at the Peking Asian Games(190). These vehicles had originally been offered to N.Korea as a goodwill gesture, but had been rejected. It is therefore striking that despite Peking's ideological closeness to Pyongyang the vehicles were accepted by Peking without any political difficulty.



Peking wanted the games to go smoothly, demonstrating to the world that the 1989 Tiananmen incident was now in the past and that normalcy had finally returned to China. Thus the games provided a perfect opportunity to apply the principle of *Chung-kyung-hap-il*. A delegation from IPECK, led by chairman Lee Hahn-been and adviser Kim Pok-tong, visited Peking to negotiate on the possibility of establishing an official trade office in China. This followed reports that the Chinese Communist Party General Secretary Jiang Zemin had told a visiting Japanese delegation that China would exchange official trade missions with S.Korea within the year, apparently in defiance of strong objections by N.Korea(191). As of the end of 1990, 65 S.Korean firms had launched projects in China or had been permitted to establish ventures there, and another 15 projects were on the waiting list(192).

Stunned by the establishment of diplomatic relations between Moscow and Seoul in 1990, China found it difficult to set up the economic deals she wanted with Seoul without making concessions on official recognition. It prompted a more positive response by the Chinese to S.Korea's *Chung-kyung-hap-il* principle of the New Northern Diplomacy, and gave a big boost to the opening of trade offices between China and S.Korea.

Expanding trade and economic ties between China and S.Korea after the Asian Games at last bore fruit: on October 20, 1990, Seoul and Peking announced that they would exchange trade offices before the end of the year.

### **5.3 Conclusions**

China continued to have difficulty in distinguishing its policies towards N.Korea and S.Korea, but a series of imaginative policy initiatives by President Roh, set forth during the first year of his presidency, in particular his overtures towards

N.Korea, led to substantial improvements in S.Korea's relations with China. This was only made possible, however, by the improvement in Sino-Soviet relations, effectively marginalising N.Korea, and a general agreement among the superpowers, including the US, to work together to reduce tension on the Korean peninsula. In this context, it became clear that S.Korea's New Northern Diplomacy had led to China finally accepting the reality of S.Korea's existence-- there was a convergence in actions and policies between China and S.Korea that S.Korea assiduously cultivated and China was unable to decline. The Seoul Olympics and the Peking Asian Games, which both countries were careful to keep free of ideology, provided China with an opportunity to make a clear distinction between her policies towards N.Korea and S.Korea. As a consequence China was enabled to reconsider her old ideology-oriented relations with N.Korea, recognising that the establishment and maintenance of *quasi-official* relations with S.Korea was the most expedient means to ensure a peaceful environment for the Korean peninsula. In a new spirit of pragmatism China began to afford equal treatment to S.Korean businessmen, and ultimately agreed to the exchange of official trade offices. The two sides continued to hold differing interpretations of the role of these institutions, and there were similar differences over the many joint industrial-commercial ventures established during this period. S.Korea considered its *Chung-kyung-hap-il* principle to apply with equal utility to China as to the USSR and East European countries.

With Pyongyang denied the opportunity to play off Moscow and Peking against one another by the altered strategic environment, the constrictions imposed by ideological ties were no longer important, especially after the Tiananmen incident of June 1989. China gradually moved away from obstructive approaches and towards constructive policies, permitting an active exploration of open and transparent trade, as well as formal relations with S.Korea. China's attitude towards S.Korea became much less hesitant encouraging expectations of a continuing progress towards improved relations between China and S.Korea.



## Notes

- (1) Gerald Segal, 'Sino-Soviet Relations,' in Gerald Segal, ed., *Chinese Politics and Foreign Policy Reform* (London: Kegan Paul International for RIIA, 1990), pp. 161-179; 'A New Order in Northeast Asia,' *Arms Control Today*, vol.21, no.7, September 1991, p. 14; Gilbert Rozman, *Japan's Response to the Gorbachev Era, 1985-1991: A Rising Superpower Views a Declining One* (Princeton, New Jersey: Princeton University Press, 1992), p. 137.
- (2) 'Trading Comrades,' *FEER*, December 8, 1988, pp. 20-21.
- (3) Susumu Awanohara, 'Factions' wrangling threatens U.N. peace plan,' *FEER*, September 13, 1990, p. 8; 'Chinese and Soviet Foreign Ministers Conclude Talks,' *BR*, vol.33, no.38, September 17-23, 1990, p. 8.
- (4) For general accounts, see B.C.Koh, 'North Korea in 1988,' *AS*, January 1989 and Rinn-Sup Shinn, 'Political Trends in North Korea and their implications for Inter-Korean Relations,' *Korea Observer*, Winter 1988.
- (5) Harry Harding, *China and Northeast Asia: The Political Dimension* (London: University Press of America, 1988), p. 39.
- (6) Lee Jae Wook, 'Sigur-Pyongyanghang, Kim Il-sung-Puk-kyunghang, bu-san-han han-ban-dojub-yen,' [Sigur's visit to Pyongyang and Kim's visit to Peking, and the situation around the Korean peninsula], *Shin Dong-a*, December 1989, p. 406-415.
- (7) *Ibid.*, p. 406.
- (8) *Kyodo*, April 4, 1988. From my own *FBIS* materials; *Choongang Ilbo*, April 4, 1988, pp. 3-4.
- (9) Japanese Prime Minister Noboru Takeshita said that his government would try to secure a visit to China by president-elect Roh before his inauguration, confirming Japan's full support for S.Korea in its efforts to establish diplomatic relations with China. He was responding to Atsushi Kanda of the opposition democratic socialist party at a Lower House budget committee session. "New Northern Diplomacy" is a term to describe the Roh Tae-Woo government's diplomatic strategy to initiate detente with N.Korea and to establish economic and diplomatic relationships with other Communist bloc countries. See *Hankuk Ilbo*, February 17, 1988, p. 1; John McBeth, 'A bridge to China,' *FEER*, January 7, 1988, p. 15.
- (10) *Hankuk Ilbo*, July 7, 1988, p. 1; John McBeth, 'Prodding Pyongyang,' *FEER*, July 21, 1988, p. 27; *South-North Dialogue in Korea, November 1988* (Seoul: International Cultural Society of Korea, 1988), p. 12.
- (11) *Hankuk Ilbo*, May 3, July 25, 1988, p. 4 and December 29, 1988, pp. 4-5.
- (12) *Yonhap*, 22 July 1988, in *BBC/SWB/FE/0211/A3/4*.
- (13) *Korea Herald*, July 8, 1988, p. 8.
- (14) A senior foreign ministry official, who declined to be named, said in July 11 1988 that Shultz, who attended the Association of South East Asian Nations (ASEAN) foreign ministers' conference in Bangkok, would deliver the message during his visit to Peking. *Korean Times*, July 22, 1988, p. 5.
- (15) Chong-II Chee, 'South Korea's Foreign Policy in Transition,' *KWA*, Winter 1988, p. 741; James Cotton, 'From Authoritarianism to Democracy in South Korea,' *PS*, vol.XXXVII, no.2, June 1989, pp. 244-259; 'A bridge to China,' pp. 15-16.
- (16) *Korea Herald*, February 2, 1988, pp. 2-3.
- (17) John McBeth referred to "N.Korea analysts" in his article. But, according to my interviews, they were responsible for communist affairs, rather than specifically N.Korean affairs. See John McBeth, 'Prodding Pyongyang,' *FEER*, July 21, 1988, pp. 26-27.
- (18) Ki Won Lee, The Sejong Institute Occasional Paper Series 88-10, *Han-kuk Tong-ilul ki-bon-gu-cho [A Framework for Reunification]* (Seoul: Korea Computer Printing Co., Ltd., for The Sejong Institute, 1988), pp. 12-15.
- (19) *Kyodo*, July 23, 1988. From my own *FBIS* materials; *Yonhap*, July 20 1988, in *BBC/SWB/FE/0210/1*.



- (20) For Chinese support of the July 7th Declaration, see *Hankuk Ilbo*, July 18, 1988, p. 1; *Korea Herald*, August 30, 1988, p. 1.
- (21) *Hankuk Ilbo*, July 20, 1988, pp. 4-5.
- (22) *The People's Daily* (Remin Ribao), (Overseas Edition), April 7, 1988, p. 2.
- (23) Shanghai City Service in Mandarin, June 12, 1988. From my own FBIS materials.
- (24) *The People's Daily* (Remin Ribao), May 26, 1988, p. 6.
- (25) *Hankuk Ilbo*, October 23, 1988, p. 3.
- (26) *Ibid*, October 12, 1988, p. 1.
- (27) *Ibid*, August 5, 1988, pp. 4-5.
- (28) *Ibid*, September 29, 1988, p. 3; *BR*, vol.33, no.18, April 30-May 6, 1990, p. 6.
- (29) *Hankuk Ilbo*, October 9, 1988, pp. 4-5.
- (30) *Ibid*, June 12, 1988, p. 1.
- (31) Beijing Xinhua, June 30, 1988. From my own FBIS materials; John McBeth, 'Reunification revived,' *FEER*, July 14, 1988, p. 19.
- (32) The complete text of Roh's UN speech can be found in Republic of Korea, National Unification Board, *A White Paper on South-North Dialogue in Korea* (Seoul: National Unification Board, 1988), pp. 478-490; *Hankuk Ilbo*, October 19, 1988, pp. 3-4.
- (33) *Korea Herald*, July 9, 1988, p. 1; 'The little Rohcomotive that could,' *TE*, December 22, 1990, pp. 65-66.
- (34) International Herald Tribune, October 19, 1988, p. 1; John McBeth, 'Pursuing Pyongyang,' *FEER*, November 3, 1988, p. 42.
- (35) Ki Won Lee, The Sejong Institute Occasional Paper Series 88-10, *Han-kuk Tong-ilul kt-bon-gu-cho*, p. 12; Kuk-Jin Kim, 'Chun-an-mun sa-gunul yong-hang: Nam-buk ko-cha sung-in,' *Chosun Ilbo*, September 18, 1989, p. 3.
- (36) Beijing Xinhua, June 30, 1988. From my own FBIS materials.
- (37) Chronicle of Select Major Events in Korea and the World (November 1988-March 1989), *KJDA*, vol.I, no.1, Summer 1989, p. 218.
- (38) 'Zhao Re-visits DPRK,' *BR*, May 8-14, 1989, p. 6.
- (39) Kim Young-Soo, 'Jung-kuk, Asian-gae-im-hu-chung-kae-ge-pem bu-su-fa-mol-rak, kaehekfabusangsol,' [China: Reformists up & Conservatives down?], *Juganchosun* [Weekly Chosun], September 30, 1990, pp. 70-71; Young Whan Kihl, 'Foreign Relations: Diplomatic Activism and Policy Dilemmas,' Donald N. Clark, ed., *Korea Briefing*, 1991 (Oxford: Westview Press, 1991), pp. 64-65.
- (40) On November 9, the Central Radio of N. Korea made a statement in the name of Foreign Ministry in which Pyongyang accused Washington of breaking their promise not to publicise the meeting. See *Yonhap News*, November 10, 1989.
- (41) *The Worker's Daily* (Nodong Shinmun), June 11, 1989; *Hankuk Ilbo*, February 3, 1988, p. 1.
- (42) For details on the impact of Chinese politics and its foreign policy after the Tiananmen incident, see Gerald Segal, ed., *Chinese Politics and Foreign Policy reform*. N.Korea vigorously rebuked the US' decision to impose sanctions against China. See *The Worker's Daily* (Nodong Shinmun), June 11, 1989; *BR*, June 26-July 2, 1989, p. 10.
- (43) *BR*, November 27-December 3, 1989, p. 8. A photograph of the Chinese leaders, including Deng Xiaoping, with Kim Il-sung during Kim's arrival in Peking Railway Station accompanies the news.
- (44) 'Jiang, Kim Renew Sino-Korean Ties,' *BR*, March 26-April 1, 1990, p. 8; Chen Wenying and Chen Xiaochun, 'China's Noticeable Diplomacy of 1990,' *BR*, December 24-30, 1990 p. 8.
- (45) Quarterly Chronicle and Documentation, *CQ*, no.123, September 1990, p. 590.
- (46) Yu Shaohua, 'Political Crisis in South Korea,' *BR*, October 30-November 5, 1989, pp. 10-12.
- (47) *Hankuk Ilbo*, December 31, 1989, p. 8.
- (48) *Asia Yearbook 1989* (Hong Kong: Review Publishing Co. Ltd., 1989), p. 154; *Hankuk Ilbo*, December 29, 1989, p. 1.



- (49) *The People's Daily* (Remin Ribao) (Overseas Edition), November 7, 1989, p. 1.
- (50) N.Korea's responded furiously to these developments. It was reported that 4 days after S.Korea and Poland had established a diplomatic relationship at ambassadorial level China announced an unexpected visit by Kim Il-sung to Peking, on November 1 1989; Eastern bloc diplomats in Peking were apparently not informed of Kim's visit. *Hankuk Ilbo*, November 1, 1989, p. 1. For Kim's visit to Peking, see *The People's Daily* (Renmin Ribao), (Overseas Edition), November 21, 1989, p. 1; FEER, November 23, 1989, p. 14; Song Yimin, 'New Problems in a Changing World,' p. 9. For China's positive responses to S.Korea's relations with the Eastern European countries, see Rou Yu, 'Eastern Powers Thaw Lines to S.Korea,' *BR*, January 9-15, 1989, p. 16.
- (51) Jonathan Karp and Lincoln Kaye, 'Shalom to China,' *FEER*, January 16, 1992; 'Eastern Powers Thaw Lines to S.Korea,' *BR*, January 16-22, 1989, p. 15. For example, China opened a tourism office in Tel Aviv, and Israel opened an "academic liaison office" in Peking in 1990.
- (52) Kyodo, November 9 1989, in *BBC/SWB/FE/0609/1*.
- (53) *FEER*, November 23, 1989.
- (54) Zhu Ronggen, 'Breakthrough in DPRK-Japan Relations,' *BR*, October 22-28, 1990, pp. 9-10.
- (55) James W. Riordan, 'Korea-Soviet Union Relations: The Seoul Olympics as Catalyst and Stimulator of Political Change,' *KWA*, vol.12, no.4, Winter 1988, pp. 769-770.
- (56) Soohyun Chon, 'South Korea-Soviet Trade Relations: Investment in Siberian Development,' *AS*, vol.XXIX, no.12, December 1989, pp. 1177-1187; Young Whan Kihl, 'South Korea in 1990: Diplomatic Activism and a Partisan Quagmire,' *AS*, vol.XXXI, no.1, January, 1991, p. 65.
- (57) *Hankuk Ilbo*, March 19, 1990, p. 1; Mary Dejevsky, 'Moscow seeks firmer Seoul ties,' *The Times*, March 27, 1990.
- (58) Sophie Quinn-Judge, 'Walking a tightrope between North and South,' *FEER*, December 8, 1988, pp. 22-23.
- (59) Choi Suk Tae, Ko Hyung Mun, and Ju Ton Sik, 'Na-mun-san-nyon Tong-il-cho-suk da-je-ya.' [The Remaining Three Years of the Roh government should lay the foundations for Unification], *Wolgari Chosun*, February 1990, pp. 120-121.
- (60) *Ibid*, p. 120.
- (61) *Dong-a Ilbo*, April 5, 1989, p. 1; Choi Suk Tae, Ko Hyung Mun, and Ju Ton Sik, 'Na-mun-san-nyon Tong-il-cho-suk da-je-ya', pp. 120-121.
- (62) Aidan Foster-Carter, 'Moscow and South Korea start New Era,' *The Guardian*, June 5, 1990.
- (63) At this period, most S.Korean Newspapers advocated such views. For a discussion of this matter in a seminar in Seoul, see *Chosun Ilbo*, September 18, 1989.
- (64) *Korea Times*, October 8, 1988, p. 8.
- (65) *Korea Newsreview*, December 22, 1990, p. 6.
- (66) Ted Morello, 'Veto vanishes,' *FEER*, December 6, 1990, p. 15.
- (67) Tai Ming Cheung, 'Friends, old and new,' *FEER*, February 22, 1990, p. 13.
- (68) *Hankuk Ilbo*, February 4, 1990, p. 1; Shim Jae Hoon, 'The pace quickens,' *FEER*, August 1, 1991, pp. 22-23.
- (69) Shim Jae Hoon, 'Diplomatic games,' p. 26.
- (70) Andrew Higgins, 'Peking plays the Games for all they are worth,' *The Independent*, September 27, 1990, p. 9; 'North & South Reunification Competitions,' *BR*, October 15-21, 1990, p. 21.
- (71) *FEER*, February 15, 1990, p. 14.
- (72) *Ibid*, August 30, 1990, p. 7.
- (73) Andrew Higgins, 'Peking plays the Games for all they are worth,' p. 9.
- (74) Shim Jae Hoon, 'Kremlin connection,' p. 28.
- (75) *Hankuk Ilbo*, October 7, 1990, p. 3.



- (76) *Hankuk Ilbo*, October 20 and 30, 1990, p. 1; Young Whan Kihl, 'South Korea in 1990: Diplomatic Activism and a Partisan Quagmire,' *AS*, vol.XXXI, no.1, January 1991, p. 66.
- (77) *FEER*, June 21, 1990, p. 14.
- (78) Gerrit W. Gong, 'China and the Dynamics of Unification in Northeast Asia,' Frank J. Macchiarola and Robert B. Oxnam, ed., *The China Challenge: American Policies in East Asia* (New York: The Asia Society in conjunction with the Academy of Political Science, vol.38, no.2, 1991), p. 97.
- (79) *Chosun Ilbo*, September 18, 1989, p. 3.
- (80) Shim Jae Hoon, 'Kremlin connection,' p. 28; Cho Soon Sung, 'Ji-kum se-dul-le-ya tong-il-ga-nung,' [Hurry up! Reunification possible?], *Sisa Journal*, July 25, 1991, pp. 30-32.
- (81) Choi Byoong-muk, 'Oyekyo Kyungbi Kyasobianinga?' *Shin-dong-a*, December 1989, pp. 118-119.
- (82) Shim Jae Hoon, 'Message in medium,' *FEER*, September 20, 1990, pp. 24-25.
- (83) *BR*, vol.33, no.38, September 17-23, 1990, p. 9; *BR*, vol.33, no.39, September 24-30, 1990, p. 11.
- (84) *BR*, November 5-11, 1990, p. 5.
- (85) *The People's Daily* (Renmin Ribao), (Overseas Edition), October 1, 1990, p. 2.
- (86) Shim Jae Hoon, 'Kremlin connection,' p. 26.
- (87) *Hankuk Ilbo*, September 30, 1990, p. 4.
- (88) The *FEER* anticipated that the USSR and China would not oppose S.Korea's membership of UN. See *FEER*, January 11, 1990, p. 20. Ted Morello, 'Veto Vanishes,' *FEER*, December 6, 1990, p. 15.
- (89) *Hankuk Ilbo*, November 13, 1990, p. 1.
- (90) Korean Overseas Information Service, "Northern Diplomacy" (information print 1991), p. 3. Also see the chart 'Trade between South Korea and following countries,' Mark Clifford, 'Neighbours across the sea,' p. 50; 'Sino-S.Korean Trade Agreement Signed,' *BR*, January 27-February 2, 1992, p. 30; Tai Ming Cheung, 'Friends, old and new,' p. 13.
- (91) John T. Bennett, 'The South Korean Economy: Recovery Amidst Uncertainty and Anguish'.
- (92) Yonhap, 27 February, in *BBC/SWB/FE/W0168/A8*.
- (93) Young Whan Kihl, 'Foreign Relations: Diplomatic Activism and Policy Dilemmas,' p. 66.
- (94) Robert Scalapino has coined the term "soft regionalism" to define the regional economic and strategic cooperations in Northeast Asia. See Robert Scalapino, *Major power Relations in Northeast Asia* (Lanham and London: University Press of America, 1987), pp. xiv. Jeffrey E. Garten discussed the growing influence of the multinational trading blocs in North America, West Europe and East Asia--what he called "superblobs"--on global economics. For the so-called evolution of regional superblocs see Jeffrey E. Garten, 'Trading Blocs and the Evolving World Economy,' *Current History*, January 1989, p. 15.
- (95) *Hankuk Ilbo*, March 27 and March 30, 1989.
- (96) At the International Conference on Co-operation in Economic Development in the Coastal Area of Northeast Asia, Changchun, China, July 16-18, 1990, several Chinese scholars proposed this in the light of the economic cooperation in Northeast Asia. See Mark J. Valencia, 'Economic Cooperation in Northeast Asia: The Proposed Tumen River Scheme,' *PR*, vol.4, no.3, pp. 263-271; Dense Chal, 'Koreans on both sides of Mt. Paektu,' *FEER*, November 7, 1991, pp. 40-42.
- (97) *Dong-a Ilbo*, March 3, 1988.
- (98) Vladimir Kuznetsov, 'Northeast Asian Economic Cooperations: Its Conceptual Framework and Modality,' *Regional Forum on Northeast Asian Economic Cooperation*. Seoul, September 3-4, 1991, Korea Institute for International Economic Policy, p. 3.
- (99) *Choongang Ilbo*, May 3, 1988; Robert Delfs, 'Seoul's hi-tech lure across the Yellow Sea,' *FEER*, December 8, 1988, p. 20.



- (100) *Hankuk Ilbo*, February 3, 1988, p. 1.
- (101) *Ibid*, June 22, 1988, pp. 4-5.
- (102) *South China Morning Post*, May 31, 1988, pp. 1-2.
- (103) My personal interview with Kun-ho Kim, London, January 12, 1990.
- (104) *FEER*, June 22, 1989, p. 67.
- (105) *Hankuk Ilbo*, May 7, 1988.
- (106) For the consolidation of direct trade between China and S.Korea during early 1988, see *Dong-a Ilbo*, March 3, 1988; *Choongang Ilbo*, March 10, 1988; *Dong-a Ilbo*, April 12, 1988; *Choongang Ilbo*, May 18, 1988; Mark J. Valencia, 'Economic Cooperation in Northeast Asia: The Proposed Tumen River Scheme,' pp. 263-271.
- (107) John C. Hsu, *China's foreign trade reforms: impact on growth and stability* (Cambridge: Cambridge University Press, 1989), p. 206, ff. 18.
- (108) Mark Clifford, 'Appearances are deceptive,' *FEER*, February 11, 1988, pp. 56-59.
- (109) *Hankuk Ilbo*, June 22, 1988, pp. 4-5.
- (110) *Hankuk Ilbo*, July 7, 1988.
- (111) NHK Television Tokyo, February 15 1988, in *BBC/SWB/FE/0077/A3/1*.
- (112) Seoul's policy on economic exchanges with the North began to change on 7 July 1988, when President Roh Tae Woo proposed seven "Inter-Korean trade measures" to establish new open trade relations. The following actions were proposed: First, Private companies would be allowed to start to trade with the North. Second, Businessmen would be permitted to handle North Korea's exports to and imports from third countries. Third, Original labels on N.Korean goods were not to be removed. Fourth, Imports from the North were to be free of tariffs. Fifth, traders from the two Koreas would be permitted to meet in one another's territory or in third countries for business purpose. Sixth, N.Korean vessels would be allowed to call at South Korean ports with cargos from the north, or from third countries. Seventh, Relevant legislation would be enacted by the end of 1988 to support such economic exchanges. See *Korea Herald*, October 8, 1988.
- (113) Kim Jae il, 'chol-jo-mang nu-mo nam-puk jik-kyooyk han-kak-song-sanun mo-na-mon gil,' [Joint Cooperation between North and South Korea, is it possible?], *Sisa Journal*, April 25, 1991, pp. 8-9.
- (114) *FEER*, January 5, 1989, p. 55; Kim Jae il, 'chol-jo-mang nu-mo nam-puk jik-kyooyk han-kak-song-sanun mo-na-mon gil,' p. 8.
- (115) *Hankuk Ilbo*, January 19, 1988, p. 3-4.
- (116) *Korea Herald*, April 13, 1988.
- (117) A modest indirect trade operated from the late 1970's through Japan, Hong Kong, Singapore, and Eastern Europe, though more recently goods have gone directly between the two countries in ships of third countries, and the S.Koreans used intermediaries to arrange for shipment of their goods to Europe via the Trans-Siberian Railroad. See Byung-joon Ahn, 'South Korea-Soviet Relations: Contemporary Issues and Prospects,' *AS*, vol.XXXI, no.9, September 1991, pp. 816-825; Dan C. Sanford, *South Korea and the Socialist Countries* (London: Macmillan, 1990), pp. 23-31.
- (118) The chairman of FKI said on January 4, 1988, that the FKI was studying private-level measures to expand trade with China, despite the fact that the relevant issues could not be settled in a short period of time. He added that expanded trade with China would come about gradually, by the consolidation of mutual trust. See *Meil Kyungje Ilbo*, January 4, 1988, p. 2.
- (119) *Hankuk Ilbo*, May 25, 1988, p. 1.
- (120) *Korea Herald*, July 3, 1988, p. 1; Rebert Delfs, 'Seoul's hi-tech lure across the Yellow Sea,' p. 20.
- (121) John McBeth, 'A bridge to China,' *FEER*, January 7, 1988, pp. 15-16.
- (122) *Hankuk Ilbo*, July 29, 1988, p. 1.
- (123) Kim Jae il, 'Chol-jo-mang nu-mo nam-puk jik-kyooyk han-kak-song-sanun mo-na-mon gil,' pp. 8-9.



- (124) According to my personal interview with Dong Hoon Lee in Hong Kong on July 3, 1989, when Heung-a shipping co. held discussions with COSCO the Chinese even proposed that Heung-a act as a shipping agent in China.
- (125) *Korea Herald*, July 25, 1988, p. 5.
- (126) My personal interview with Dong Hoon Lee.
- (127) *Chonsun Ilbo*, May 26, 1988 and *Hankuk Ilbo*, May 26, 1988.
- (128) *Hankuk Ilbo*, July 30, 1988, p. 1.
- (129) *Ibid*, August 5, 1988, p. 1; May 18, 1988.
- (130) *Korea Business World*, March 1989, p. 21.
- (131) 'Newly-appointed Foreign Minister Qian Qichen on foreign policy and international situation,' *Liaowang* (Overseas edition), Hong Kong, no.18, May 2, 1988, pp. 3-4.
- (132) Peter Ferdinand, 'The Economic and Financial Dimension,' in David S.G. Goodman, ed., *China's Regional Development* (London: Routledge for RIA, 1989), p. 45; 'Regionalism,' Gerald Segal, ed., *Chinese Politics and Foreign Policy Reform*, pp. 147-154; *Communist Regimes in comparative perspective: The Evolution of the Soviet, Chinese, and Yugoslav Models* (Hertfordshire, England: Harvester Wheatsheaf, 1991), pp. 231-240; Ji Chongwei, 'China's Foreign Trade Strategy,' *BR*, vol.32, no.31, July 31-August 6, 1989, pp. 25-28.
- (133) Li Changchun, 'Boosting the Economy of Liaodong,' *BR*, vol.31, no.33, August 15-21, 1988, pp. 14-16.
- (134) Tai Kuan, 'The highest leadership stratum of the CCP meet to decide that China may carry out direct trade with South Korea,' *Zhengming*, July 1, 1988, p. 17.
- (135) *FEER*, December 13, 1990, p. 9.
- (136) *Joongang Ilbo*, August 18, 1988, p. 3; Denise Chal, 'China's Chosen people,' *FEER*, November 7, 1991, pp. 40-42.
- (137) *Hankuk Ilbo*, June 22, 1988, p. 4.
- (138) According to well-informed sources from the ministry of foreign economic relations and trade, a meeting was held at the central level to discuss the issue of trade between China and S.Korea. From my personal interview with Paul M.P. Chan, who has worked for Daewoo company in Hong Kong, and is now Assistant Director and Manager-China Operation in Hsin Chong Holdings (H.K.) Ltd., in Hong Kong, February 22, 1990.
- (139) *Hankuk Ilbo*, June 17, 1988, p. 7.
- (140) Dan C. Sanford, *South Korea and the Socialist Countries*, p. 12.
- (141) Michael B. Yahuda, 'The People's Republic of China at 40: Foreign Relations,' *CQ*, no.119, September 1989, p. 532.
- (142) *FEER*, December 13, 1990, p. 9.
- (143) *Dong-a Ilbo*, July 29, 1988, p. 4; September 7, 1988, p. 3.
- (144) Robert Delfs, 'Seoul's hi-tech lure across the Yellow Sea,' *FEER*, December 8, 1988, p. 20-21.
- (145) Beijing Xinhua, FBIS, March 20, 1988. From my own FBIS materials.
- (146) Charles D. Gray, 'Protection or protectionism,' *FEER*, September 13, 1990, p. 15.
- (147) Asian Development Bank, *Korea: Study of the Manufacturing Sector with Special Reference to New Technology-Based Small and Medium Industries* (Manila: Asian Development Bank, 1987), p. 39.
- (148) Walden Bello and Stephanie Rosenfeld, *Dragons in Distress: Asia's Miracle Economies in Crisis*, pp. 122-123.
- (149) Due to a growing labour shortage in S.Korea, S.Korean construction firms asked the government for permission to employ Chinese-Koreans to help sustain the pace of work on the government's ambitious housing and infrastructure schemes. The scheme was, however, rejected by the government. See *FEER*, August 2, 1990, p. 51.
- (150) 'Principles for Foreign Trade,' *BR*, May 8-14, 1989, p. 28.
- (151) 'Seoul's hi-tech lure across the Yellow Sea,' p. 20-21.
- (152) *Hankuk Ilbo*, July 20, 1988, p. 4.



- (153) *Dong-a Ilbo*, July 29, 1988, p. 4.
- (154) *Hankuk Ilbo*, July 20, 1988, p. 4.
- (155) *Business Week*, April 18, 1988, pp. 20-21; *Joongang Ilbo*, August 18, 1988, p. 3.
- (156) An official of the S.Korean state-run monopoly Corp., Hong Tu-pyo, visited China in October 1988 to discuss ways. See *Hankuk Ilbo*, May 2, 1988, p. 4; FEER, Feb 2, 1989, p. 63; Ralph N. Clough, 'Political implications of Sino-South Korean trade,' pp. 42-45; *Business China*, July 10, 1989, pp. 102-103. For a recent discussion of investment in China, see Richard Pomfret, *Investing in China: Ten Years of the "Open Door" Policy* (London: Harvester Wheatsheaf, 1991), p. 111; *Hankuk Ilbo*, May 30, 1988, p. 7.
- (157) *Hankuk Ilbo*, July 18, 1988, p. 4; *Hankuk Ilbo*, May 2, 1988.
- (158) Kyodo, FBIS, August 2, 1988. From my own FBIS materials.
- (159) My personal interview with Kun-ho Kim in London, January 19, 1990. *Hankuk Ilbo*, July 9, 1988, p. 4; *Chosun Ilbo*, October 6, 1988, p. 1.
- (160) My personal interview with Kun-ho Kim.
- (161) According to interview with Kun-ho Kim, Samsung Electronic Co. Ltd. had already set up three joint venture plants in China for the production of refrigerators, colour televisions and video cassette recorders (Hereafter VCR's) in 1988. Samsung also planned to begin the construction, in February 1989, of a refrigerator plant in Peking which would produce 500,000 units annually, making an investment of US\$50 million. Samsung also planned a colour television plant with a capacity to produce 200,000 units annually to be located in Shenzhen, with construction to begin during the first half of 1989; as well as a VCR manufacturing plant for Zhouhai, which would produce 250,000 units each year, joint investment in this plant amounting to US\$10 million. Samsung's collaborations in these ventures included the state-run China International Trust and Investment Corp., (Hereafter CITIC), the Hong Kong-based Well Youth Co. and Flake Electric Appliance Corp. Samsung Semiconductor Telecommunications Co. had also made substantial inroads into China's telecommunications market with shipments of telecommunications equipment, i.e. electronic private automation branch exchanges (Hereafter EPABX), word processors, and dot-printing method word processors. According to my interviewees, Samsung had nearly finished the laying of 200-kilometers of optical cables linking Shanghai, Tianjin and other Chinese cities, and had a further contract with China's Guangzhou telephone office to install optical cables. China had agreed to import various Samsung products, including faxmachines, telephones and keyphones, and technology for telecommunications operations, in preparation for the 1992 Peking Asian Games. Samsung was pushing ahead with plans to develop various kinds of high-tech telecommunications equipment, and sought to begin sales of dot-printing word processors, with the model name TS-8000, in China from January 1989.
- (162) Professor Han, in an interview with the *Hankuk Ilbo* correspondent in China. *Hankuk Ilbo*, July 11, 1988, pp. 4-5.
- (163) My personal interview with In-Hyun Lee who is a Director-Manager with Kia in London, October 23, 1991. It would be difficult to make material incentives work in China because the idea of the "common rice bowl" was so strongly entrenched, not only in state-run enterprises but also in joint ventures. Thus they were sceptical that salary reform could be implemented effectively.
- (164) My personal interview with Soo-ik Kim, deputy-director of KOTRA, in London, January 23, 1990.
- (165) *Hankuk Ilbo*, February 24, 1988.
- (166) There are many accounts of joint-ventures between China and S.Korea in S.Korean daily newspapers. See *Korea Herald*, May 21, 1988; *Dong-a Ilbo*, May 25, 1988; *Chosun Ilbo*, October 12, 1988; *Dong-a Ilbo*, November 5, 1988.



- (167) My personal interview with In-Hyun Lee who is a Director-Manager with KIA in London, October 23, 1991. KIA opened a branch in London to market the "Pride" car in December 1990.
- (168) *Chosun Ilbo*, October 6, 1988, p. 1.
- (169) *Hankuk Ilbo*, February 24, 1988, p. 1.
- (170) Republic of Korea, *Economic Planning Board*, 'Northern Economic Exchanges,' (mimeo, n.d.). Quoted from Young Whan Kihl, 'Foreign Relations: Diplomatic Activism and Policy Dilemmas,' p. 66.
- (171) *The People's Daily* (Remin Ribao), (Overseas Edition), April 7, 1988.
- (172) Yonhap, July 26 1989, in BBC/SWB/FE/W0087/1.
- (173) Ibid, June 20 1989, in BBC/SWB/FE/W0487/1.
- (174) Ibid, June 21 1989, in BBC/SWB/FE/0488/1; Colina Macdougall, 'China's calm masks inner turmoil,' *Financial Times*, October 18, 1990, p. 5; *BR*, July 3-9, 1989, p. 4 and pp. 9-10.
- (175) Yonhap, June 21 1989, in BBC/SWB/FE/0082/1.
- (176) Chen Shi, 'The First International Fair in Beijing,' *China: Pictorial* (In English), no.10, 1989, pp. 6-7.
- (177) *FEER*, September 14, 1989, p. 87; Quarterly Chronicle and Documentation, *CQ*, no.122, June 1990, p. 370.
- (178) *Hankuk Ilbo*, June 22, 1990, pp. 4-5.
- (179) *FEER*, September 14, 1989, p. 87.
- (180) *Chosun Ilbo*, September 18, 1989, p. 1.
- (181) *FEER*, May 18, 1989, p. 83; June 22, 1989, p. 67.
- (182) *The People's Daily* (Renmin Ribao), (Overseas Edition), September 16, 1990.
- (183) My Personal Interview with Kun-ho Kim in London, January 19, 1990.
- (184) Cui Lili, 'An Interview with Asid Project Leader Zhang Baifa,' *BR*, vol.33, no.38, September 17-23, 1990, p. 13.
- (185) *Ming Pao*, June 29, 1989; *BR*, vol.32, no.26, June 26-July 2, 1989, pp. 6-7; Zhang Ming, 'Beijing Continues to Open the Door,' *BR*, vol.32, no.30, July 24-30, 1989; Zheng Tuobin, 'China's Foreign Trade Policy,' *BR*, vol.32, no.42, October 16-22, 1989, pp. 9-12; Xinhua News Agency, October 27, 1989 quoted from *BR*, vol.32, no.46, November 13-19, 1989, pp. 11-12.
- (186) *Hankuk Ilbo*, September 23, 1990, p. 1.
- (187) The traditionally complex relationship between central and regional governments, and the north and the south more broadly, is discussed in David S.G. Goodman, *China's Regional Development* (London: Routledge for RIA, 1989). The trend of regionalism after the Tiananmen incident, see Robert Delfs, 'Saying no to Peking,' *FEER*, April 4, 1991, pp. 21-22 & p. 24.
- (188) 'No Foreign Trade Changes Expected,' *BR*, June 12-25, 1989, p. 27.
- (189) Young Whan Kihl, 'Foreign Relations: Diplomatic Activism and Policy Dilemmas', p. 65.
- (190) Shim Jae Hoon, 'Diplomatic games,' *FEER*, October 4, 1990, p. 26.
- (191) It was reported that in a secret speech in February 1990 Jiang Zemin called Gorbachev "a traitor" to communism. 'China: Traitor' *The Economist*, March 5, 1990, p. 72; *FEER*, August 9, 1990, p. 12.
- (192) Suck Kyo Ahn, 'Prospects for Economic Integration of Socialist Economies in Northeast Asia,' in Il Yung Chung, ed., *The Asian-Pacific Community with Year 2000: Challenges and Prospects* (Seoul: The Sejong Institute, 1991), pp. 210-211.

## **CONCLUSIONS**

During the period 1971-1990 there was a significant thaw in relations between China and S.Korea. This was attributable to a complex interaction of political, strategic and economic factors which posed many new challenges and opportunities.

The first factor relates to China's domestic situation. Since the late 1970's, under the slogan of the "Four Modernisations," China increasingly turned its attention to domestic reform and economic development. Insofar as it pertains to relations between China and S.Korea, this commitment required an alleviation of international tension--what the Chinese call a "peaceful environment"--so as to enable China to turn its energies inwards to economic and technological development. It also required an opening-up to the outside world--especially to the West--for trade, investment, and access to modern technology. War in Korea, or even heightened tension and instability, could easily prevent these from happening, a fact which informs the changes in Chinese politics towards the Korean peninsula. The general demise of ideology and greater emphasis on pragmatism in China has come out of this awareness.

At the same time, S.Korea came to have a new weight in Chinese eyes, both as an attractive trading partner and--to some extent--as a model for the PRC's own development. This new weight was evident in the attention paid to the S.Korean economic experience, as well as in the increasing openness with which China conducted its so-called "unofficial" relations.

The second factor concerns trends on the Korean peninsula itself. N.Korea lost the economic competition with S.Korea, and risks losing its military edge as well in the not-too-distant future. It made no headway in undermining S.Korea's effort to improve its relations with China; on the contrary, these have been considerably



strengthened. It had no success in containing S.Korea's so-called "*Nordpolitik*," as reflected in Pyongyang's failure to enlist its two allies' support for its various proposals on reunification.

Pyongyang's relations with China became increasingly formal, with Chinese leaders pressing for N.Korea to undertake economic reforms or suffer further marginalisation. The Chinese leadership of the day remained ideologically preoccupied with N.Korea's President Kim Il-sung, with whom they had had a long association since World War II, but it became less and less likely that Peking would revert to a highly disruptive position in Northeast Asia because that would go against China's interest by disturbing the stability of the region. Although the Chinese leaders eventually acknowledged S.Korea's enthusiastic approaches, they made clear over the years that they also had many other priorities--not the least of which was avoiding war between China and the West, not to mention S.Korea. Even as China continued to support its N.Korean ally in public, its relations with S.Korea blossomed in silence.

The third factor relates to China's regional view of itself and its long-term strategic aspirations. Although China has undergone sharp swings on policy and cycles of alignment and isolation, the centre of gravity of modern Chinese politics has been a commitment to strategic "independence". The Chinese see themselves as a global actor, and they define their security in global terms. The long-term Chinese objective, exemplified by their current emphasis on an independent foreign policy, is to carve out an independent position alongside the two superpowers.

For this reason, becoming more confident of their own position, the Chinese no longer approached N.Korea as an unwinnable game with the USSR, and did not see N.Korea as a major obstacle in developing its relations with S.Korea. If N.Korea moved too far towards the USSR, the Chinese were capable of adjusting both the

speed and scope of their opening to S.Korea. S.Korea strongly desired contacts, trade and ultimately formal relations with China, but without isolating N.Korea. China was in a position to help "broker" an accommodation between N.Korea and S.Korea--a role that was critical to N.Korea given its past track record, its dismal economic prospects, and the widespread suspicions in S.Korea of N.Korean intentions.

The fourth factors came to prominence during the 1980's, and is concerned with the Chinese willingness to co-operate with the USSR over the Korean peninsula. Such co-operation has no historical precedent. Both powers were publicly committed to promoting peace and stability on the Korean peninsula, and China maintained an active interest both in the overall Korean situation and in specific developments in S.Korea, perceiving opportunities to use them as part of the process of dynamic normalisation of relations between China and the USSR.

China remained unconvinced, however, by the USSR's initiatives on the Korean peninsula. Until the dramatic recognition of Seoul by Moscow, which took advantage of the changed atmosphere in the region resulting from President Mikhail Gorbachev's *perestroika*, China's ability to deal with the USSR was less. Indeed, the Chinese leadership was quite embarrassed by the diplomatic benefits accruing to the USSR, not to mention the economic opportunities deriving from a step which, to Chinese eyes, was an abandonment of Moscow's ideological obligation to and friendships with Pyongyang. Since then, for the first time in her history, China began to work more closely with the USSR to deal with the N.Korean threat to the major geopolitical alignment surrounding the Korean peninsula and Northeast Asia. This was particularly true in China itself, where N.Korea may now be considered to have lost its influence in constraining the development of relations between China and S.Korea. Peking's co-operation with Moscow extended to include Chinese support for Seoul's Northern policy, even though this was most disturbing for



Pyongyang. Relations between the two superpowers, both political and economic, have continued to draw closer since the normalisation, but China has remained aloof from S.Korea, with the latter quite incapable of taking independent initiatives. With China now playing the role of peace-broker, however, it appears that the stage is set for further normalisation of relations between China and S.Korea.

In discussing the relations between China and S.Korea it is necessary to take note of the age-old rivalry and lingering bitterness between them, and this historical heritage has continued to constrain relations between the two countries until recent times. Since the Korean War there have been no formal diplomatic relations, and it appears that, with the passage of time, but the exigencies of the modern world pressing for reform, a mood has now arisen to permit the old quarrels to be left behind.

There are both political and economic factors underlying the improved relations between China and S.Korea. Politically, the initial moves towards better relations are generally agreed to be bound up with China's changing stance towards the superpowers. S.Korea could not simply jump on the bandwagon after Sino-American *rapprochement*, however, because China's rivalry with the USSR obliged her to sustain good relations with N.Korea, thus precluding any corresponding *rapprochement* with S.Korea--or so it seemed at that time. S.Korea declared an open policy towards China in 1973 but in practical terms there was little to show from the step.

Despite limits set by the N.Korean factor, however, China was able to slowly disentangle her ideological relations with N.Korea from the demands of pragmatic politics. The repeated S.Korean overtures were met with a cautious response by the Chinese; some subtle cooperations developed on potential areas of disputes, leading to incremental changes in relations.



Unanticipated crises, most notably the 1983 hijacking of a Chinese airliner, and the 1985 torpedo boat incident, gave rise to discreet official contacts. In the former case direct negotiations took place in Seoul, and a memorandum of cooperation was signed. Sports events held in Peking, Seoul, and third countries provided further opportunities for a subtle but significant improvement of relations. Sports related exchanges between the two countries began in the early 1970's, but certainly the most important events were the 1986 Seoul Asian Games, resulting in a *de facto* recognition of S.Korea by China; the 1988 Seoul Olympics, after which substantial political, and especially economic, progress was made; and the 1990 Peking Asian Games, at which Seoul demonstrated her commitment to continued partnership with Peking subsequent to the Tiananmen square repression.

Policy-makers in Seoul were quietly gratified by the growth of such non-political exchanges, which resulted in the two countries no longer being strangers to one another. The Chinese, in particular, developed a much more differentiated view of the S.Korean system. Hand-in-hand with this process came closer economic relations. The two countries avoided acrimonious public exchanges, placing economics above politics, and proceeded to quietly improve their business relationships. Both countries implemented modernisation and reform policies in which the value systems of society-at-large, and their perception of the outside world underwent dramatic changes. This permitted a cooperative economic partnership to develop from which both countries benefited, China principally in direct economic terms, but S.Korea derived significant political advantages thereby.

With the general relaxation in international tensions, and especially the Sino-Soviet *detente* the rationale behind the Chinese identification with the N.Korean position, already weakened by a number of terrorist incidents perpetrated by N.Korea, became much less obvious. During the period covered by this study,

however, this linkage has been a dominant factor, causing the Chinese to seek to limit the improvement in relations with S.Korea to the economic sphere, whilst S.Korea has striven to upgrade both economic and political ties. China conducted a delicate balancing act, trying to reassure N.Korea of continued support, whilst becoming ever more dependent on economic links with S.Korea, which were essential to China's modernisation programme. By the end of the period China was convinced that, in the longer term, N.Korea must take the painful step of reaching a genuine accommodation with the non-communist world, including with S.Korea. With China no longer concerned about N.Korea aligning itself with Moscow against her, the situation no longer offers any significant constraint precluding China from continuing to improve its relations with S.Korea.

China's overall policy towards the Korean peninsula experienced a shift that de-emphasized the importance of her relationship with N.Korea, and separated the issue of China's own reunification from that of Korean reunification. China's foreign relations are somewhat different in several areas, most notably with the US after the Tiananmen massacre, but the basic contours of relations between China and S.Korea have not changed from their pre-Tiananmen outline.

Suffice it to say that China has been moving away from the reactionary policies of the 1950's and 1960's, and towards a more balanced course of diplomacy in the 1970's and 1980's. China continued to maintain its long-held friendly relations with N.Korea while adjusting to changes in the international order, and pursuing a more practical and pragmatic course in its relations with S.Korea. While diplomatic relations are not yet feasible both sides have good reason to be well content with progress so far.

The most dramatic improvement in Sino-S.Korean relations has unquestionably been in the economic arena, where China's ideology-oriented policy



has been succeeded by one of international economic integration, with all that this implies for China's sense of domestic stability. Although the maintenance of a firm ideological line was to remain a guiding feature, China began to reassess its attitude towards the international market economy and saw a new role for developing states.

Chinese trade with S.Korea increased substantially during these two decades, economic factors playing an essential role in the shaping of Sino-S.Korean relations over the period. Non-official business-based "economic diplomacy" between 1971 and 1990 helped to ease the political tensions resulting from China's *rapprochement* with the US. While trade was still subject to changes in the political tide, links were forged which facilitated the cautious political responses of the early 1970's, paving the way for the rapid growth seen from the late 1970's onwards as secret trade picked up momentum.

Trade has become ever more open and direct, and the two sides' economies have grown steadily more interdependent. The trend towards improvement of relations between China and S.Korea, including integration of their respective economic policies, and pronounced regional economic co-operation, has fostered complementary economic development in the region.

China's vast size, significant political influence, huge market potential and abundant supply of labour dovetailed nicely with S.Korea's capital and advanced technology. At the same time, its relative economic weakness means that China is unlikely to turn into a powerful competitor for the S.Korean economy. S.Korean capital, concentrated mainly in Shandong province and the three Northeastern provinces of China, as well as the Southeastern coastal areas, is a strong influence for transformation. Ultimately the benefits accruing from regional development might lead even the N.Koreans to approve of these investments. Direct trade and

joint industrial-commercial ventures were continuing to grow strongly at the close of the period under study.

China's approach to S.Korea has been conditioned by her domestic needs: during the early 1980's the Chinese leadership paid a great deal of attention to the S.Korean economic model, seeing it as the most relevant example to emulate for the development of the Chinese economy. As a consequence China's foreign relations came to stress the business-like advancement of foreign trade. On the other hand, when conservative forces briefly dominated China's internal political landscape after the Tiananmen incident, China's foreign relations with the West and even with S.Korea became much colder.

On the other hand, despite mutual economic interests between China and S.Korea economic relations were influenced by non-economic, i.e., political, factors. From the economic point of view the main constraint is not N.Korea, but the difficulties arising out of China's own problems in achieving modernisation. Enhanced economic co-operation was impeded by large-scale institutional ossification and bureaucratic resistance deriving from cherished communist goals such as price stability and equality of income distribution.

There were signs that economic reform and the open-door policy were losing dynamism under the new regime in Peking. Even though Chinese leaders repeatedly confirmed their willingness to pursue reform policies, they were faced with serious economic problems, the most important being high inflation. In the 1980's, which marked 10 years of successful economic reform, China experienced an average inflation rate of 36%. Efforts to cool down excess demand and introduce tight monetary policy resulted in stagflation. China's government therefore introduced measures to reduce the autonomy of the local governments and restrict individual



firms' importing capacity. In other words, "market" has often been influenced and substituted by "plan."

This economic malaise has caused difficulties for S.Korea's exports to China, especially in consumer goods and light industrial products. Since 1989 S.Korea's trade with China has exhibited an increasing deficit. Furthermore China has levied tariffs of 5-35% on imports from S.Korea, while other countries enjoyed preferential tariffs in their trade with China. This was possibly the main economic factor causing the problems between China and S.Korea.

S.Korea's economic ties with China was initially based on an economic rationale during its early stages. While economic engagement was an essential element of S.Korea's policy towards China *vis-a-vis* socialist countries, it was "legitimate" for the S.Korean government to utilise economics as leverage in its policies and diplomacy, demonstrating the so-called *Chung-kyung hap-il* principle of "Northern policy." Chinese officials, meanwhile, feared the economic co-operations between China and S.Korea might "de-ideologise" Chinese policy towards N.Korea. This political implication of bilateral economic relations between China and S.Korea was another factor limiting economic development between China and S.Korea.

Further difficulties facing joint ventures include instabilities associated with China's political situation, widespread corruption, a generally deficient infrastructure, and a shortage of skilled manpower. Investors seeking alternative markets in China are hampered by the lack of diplomatic relations, making it exceedingly difficult for Seoul to negotiate agreements on legal protection for investments, exemption from dual taxation, the repatriation of profits, or the resolution of disputes. Furthermore, S.Korean businessmen are unable to obtain visas for China in their own country, nor are they permitted to take direct flights there. In August 1989 KAL made one symbolic flight to Shanghai, to carry an

athletic team, but negotiations on the opening of a direct service failed to make further progress.

Notwithstanding the problems facing S.Korean businessmen in actually making a profit from dealing with China, S.Korea's increased economic strength has brought its Northern policy remarkable diplomatic success in its policy towards China. When the USSR and the East European countries became interested in economic relations with S.Korea, the Chinese leaders displayed more flexibility in the normalisation of political relations with S.Korea, employing a carrot-and-stick stance towards N.Korea. Assuming that the process of economic reform and political democratisation in other socialist countries exerted pressure on N.Korea to move towards the same direction, and so far as N.Korea was ready to follow the tide, political relations between China and N.Korea have been correlated with economic relations between China and S.Korea.

For the first time since 1948 the two countries have established trade offices in Seoul and Peking. This has provided an impetus for more constructive relations in the political sphere, which will surely reduce the psychological barrier for China's full recognition of S.Korea and should contribute greatly to full normalisation of diplomatic relations between China and S.Korea. The two countries successfully placed economics ahead of politics, providing a valuable intermediate step, whereby China was able to explore the prototypes of a *de facto* relationship when diplomatic recognition was not yet practicable.

Gradually, a policy of economic pragmatism moved to the forefront, ideological issues lost their importance, and a realistic approach to foreign policy gained ground, leading initially to the development of economic relations, and then on to a step-by-step political *rapprochement*. In the 1970's and early 1980's political and



**strategic factors dominated the mainstream of the relationship; in the mid 1980's and early 1990's, economic issues have come to the fore.**

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